71422
60

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,782 | Wednesday March 1 1989 | D 8523A

BOOK MARKETS
How France and US differ in approach
Page 6

World News

Soviets offer to mediate over Tehran's death threat

Mr Gennady Gerasimov, Soviet Foreign Ministry spokesman, indicated Moscow was willing *to help diffuse the* international furore over the publication of Mr Salman Rushdie's book "The Satanic Verses," after the Iranian Parliament had voted to sever diplomatic ties with Britain. Page 18

Pakistan pressure
Pakistan's military intelligence is exerting increasing pressure on Afghan Mujahideen commanders around the besieged city of Jalalabad to launch a major attack in the next few days and capture the provincial capital. Page 4

Gandhi budget
The administration of Mr Rajiv Gandhi, *India's Prime Minister* sought to strengthen its socialist credentials with a welfare oriented budget designed to broaden its mass support in advance of the general election due later this year. Page 18

Rebel victory claim
Ethiopian rebels said the Government abandoned Mekele, capital of the northern Tigray *province. There has been no* independent confirmation of the report issued by the Tigray People's Liberation Front (TPLF). Page 4

Tokyo standstill
Japanese parliament was brought to a standstill after the ruling Liberal Democratic Party refused to accept opposition demands for Mr Yasuhiro *Nakasone, former Prime Minister*, to be called to answer questions about the Recruit financial scandal. Page 4

Korean border clash
South Korean dissidents trying to reach the border for talks *with North Koreans* wrestled with US soldiers guarding the demilitarised zone. Page 4

Tamils kill 37
Tamil separatist guerrillas went from house to house in the Sri Lankan village of Borawewa in north-central province, systematically killing 37 people, including 10 children with swords and guns, Reuter reported.

Amnesty names Iraq
Brutal treatment of children for political purposes has become routine in Iraqi prisons, according to Amnesty International, London-based buman rights group. Page 4

Central America aid
The European Community made a commitment to expanded economic support to Central America to shore up the recent peace proposals in the region. Page 6

747 door faults
The Boeing 747 cargo door that blew open over the Pacific, sucking nine people to their deaths, had an electrical fault in December and trouble with e door seal in January according to federal investigators.

Vote for crown
Malaysia's hereditary rulers began a three-day meeting to elect e new king for the next five years under the country's constitution. Page 4

Smokeless failure
R.J. Reynolds Tobacco Co, of the US, said it was giving up on the development of a "smokeless cigarette", called the Premier, because tests had not "achieved adequate consumer acceptance."

Business Summary

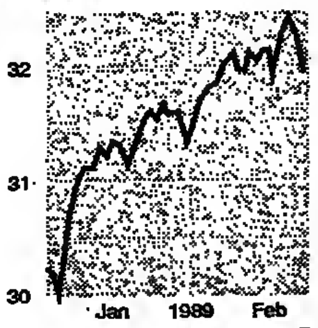
Compagnie du Midi falls to Axa group

CLAUDE BEBEAR emerged as the victor in the nine month long struggle for control of Compagnie du Midi, French diversified insurance group.

Mr Bébéar's Axa group, which agreed to ally with Midi last April and now owns 28.6 per cent of its capital, swept the field at a shareholders' meeting, defeating rival Mr Bernard Pagézy. Page 19

NIKKEI Index recorded its largest fall this year to close 300.17 down at 31,985.60, after fluctuating narrowly throughout the day. Nervousness

Japan
Nikkei average '000



about weak overseas markets and the political situation at home had dealt the equity market a blow. World Stock Markets, Section II

UNILEVER, Anglo-Dutch consumer products group, overcame the hazards afflicting its international operations in 1988, and came up with a 10 per cent increase in pre-tax profits. Page 19

GEC-MARCONI, defence arm of General Electric Company, said that alleged irregularities for which three of the group'a companies have been sum*monsed to appear in court next* week involved contracts worth no more than about £1.2m ($2.08m) in total. Page 12

LEADERS of countries in the European Free Trade Association are seriously considering proposals to establish a customs union with the European Community, according to a document leaked in a Norwegian newspaper. Page 18

INSPIRATION RESOURCES, North American diversified natural resources group 56 per cent owned by Minorco, part of Mr Harry Oppenheimer's South African empire, reported a sharp increase in net income for 1988. Page 22

SONY, Japanese electronics group, is to open its first manufacturing plant in Italy this month, in a move aimed at expanding its production facilities in Europe. Page 8

BRITISH Government approached the European Commission for clearance for its plans to take over £390m ($677m) of the debts of Short Brothers, Belfast aerospace group being groomed for privatisation. Page 3

EUROPEAN Community has accepted price undertakings from four out of five South Korean and Japanese video cassette recorder producers found to be exporting to the EC et unfairly low prices, but imposed definitive dumping duties on the fifth. Page 8

ALFRED McALPINE, British construction group, announced a 35 per cent drop in pre-tax profits to £20.47m ($35.5m) in the 12 months to the end of October. Its turnover increased slightly from £583m to £591m. *Earnings per share totalled* 38.6p (59.8p) but the final dividend is unchanged at 11.6p, making 16.1p for the year(16p). Background, Page 27

Israel's government and banks agreed to reschedule the Shl7bn ($3.9bn) debt of the kibbutz collective settlements, Mr Shimon Peres, Finance Minister, said.

Meissen chief executive flees to West Germany

By **David Marsh** in Bonn and **Leslie Colitt** in Berlin

THE chief executive of East Germany's Meissen porcelain company has fled to West Germany. His daparture will cause concern in the political and economic hierarchy of the communist state.

Mr Reinhold Fichte, et 46 one of East Germany's top managers and reputed to be a confidant of the East Berlin political leadership, absconded to the Federal Republic during a business trip.

Although the state-run company has recently been facing problems over quality, it is world renowned for meeting the tastes of well-heeled westerners and thus has e reputation out of keeping with East Germany's dour image. "*It is a shop window for the German* Democratic Republic," one Bonn official said last night.

Mr Fichte'e flight is the most spectacular in the recently rising tide of illicit emigration from East to West Germany. According to Bonn government figures, 9,705 *people fled from East Germany* last year – a rise of 55 per cent on the 1987 figure and the highest annual total since 1965.

Most of the fugitives, like the Meissen chief, stayed on in the Federal Republic after crossing the border on authorised visits.

Officials declined to give further details because of the sensitivity of the affair, but reports in the West German press suggest that Mr Fichte may have decided to remain in the West with e girlfriend.

Meissen, based near Dresden, ranks as one of Europe's oldest porcelain companies. It was founded in 1710 and is among East Germany's main export earners.

Mr Fichte has frequently been *allowed access to the West because of* his good connections with Mr Guenter Mittag, the East German Politburo member with responsibility for tha economy.

The Meissen chief, who travelled to West Germany to attend the annual Frankfurt industrial fair in mid-February, is believed to have left his wife and two children in East Germany.

His departure underlines how large numbers of qualified and talented East Germans continue to seek e new life in the West, *in spite of East Berlin's* efforts to keep them under communism. Since the building of the Berlin wall in 1961, about 220,000 East Germans have fled illegally across the border.

The latest defection is particularly embarrassing because it follows the ille*gal departure last year of another top* East German manager: tha head of the Planeta printing machinery enterprise, which, like Maissen, is among the state's most important earners of hard currency.

Mr Fichte's decision to quit may have involved dissatisfaction with the latest Meisseu designs, which heve been regarded as less than successful than others in the porcelain world.

The company is also believed to have had problems over the introduction of *incentive schemes for workers, a move* looked on as breaking traditional Marxist principles.

New Co-op chief says accounts concealed big losses

By **Haig Simonian** in Frankfurt

CO-OP, the highly indebted West German food retailer which is now the subject of a bank rescue package, will probably report a DM125m-DM130m ($66.6m-$69.4m) loss for 1988, according to Mr Hans Friderichs, its new supervisory board chairman.

Speaking at the group's Frankfurt headquarters, Mr Friderichs and the new members of Co-op's managing board detailed an astonishing list of circumstances and alleged transgressions which led the group to the brink of bankruptcy.

According to an accountants' report, Co-op, whose shares will restart trading today after suspension, has been in the red since 1982, despite claiming to be profitable in its accounts and October 1987 prospectus.

How that was done was not wholly revealed yesterday. But the company said one way in *which profits had been inflated* by DM200m-DM300m since 1982 was through the accounting treatment of the sale of certain store rental rights to Handels Investitions GmbH (HIG), a non-consolidated subsidiary.

The resulting unduly high rental cost for Co-op's stores is just one of the many factors now burdening the group's profitability, Mr Friderichs revealed.

Sales have also fallen sharply. According to preliminary figures for 1988, adjusted for acquisitions during the year, e 12.6 per cent rise at the group's superstore and do-it-yourself subsidiary failed to compensate for the 5.6 per cent fall at Co-op Handels, the main retailing operation, and a 5.3 per cent drop at Co-op Industrie, its food production arm. Including acquisitions, sales at Co-op Handels rose by almost 16 per cent to DM8.8bn.

Central administrative costs were also excessive, amounting to DM56m last year, well above the industry average and partly a reflection of Co-op's byzantine structure. Together, Co-op itself, HIG and Garvey Holding – the operation in charge of its foreign activities – each have about 100 subsidiaries, said Mr Friderichs.

Co-op's new management, which was appointed after its previous three-man management board was sacked in December, thinks it has now gained the measure of its domestic retailing and property operations. However, it

Continued on Page 18

Tougher regulations for checks on old aircraft likely in US

By **Michael Donne** in London and **Nancy Dunne** in Washington

TOUGHER regulations for the maintenance and repair of ageing jet airliners are likely to be introduced by the US authorities in e move which could cost *the world air transport industry* hundreds of millions of dollars over the next few years.

The measures, which are almost certain to be adopted by other international aircraft regulatory bodies in the next few months, stem from a review carried out by an airline and aircraft manufacturing industry task force set up last June to study the problem of the growing number of age*ing jet aircraft in the world* fleet.

The task force, which concentrated on Boeing aircraft, yesterday recommended that the US Federal Aviation Administration should make mandatory a series of recommendations to ensure the con*tinued safe operation of ageing* aircraft in that fleet.

These measures could cost $800m worldwide over some years.

The task force is part of a larger steering group looking at several makes of aircraft and consists of five jet airliner mannfacturers – Boeing, McDonnell Douglas, Airbus Industrie, British Aerospace and Fokker – and many big airlines.

Reports on other makes will follow soon.

According to the review, more than 1,300 early models of Boeing 707, 727, 737 and 747 jets should undergo intensified maintenance and inspection procedures.

In many cases, when the aircraft reach a specific age, air*lines will be required to modify* or replace parts, even though inspection may not reveal any defects.

The Air Transport Association of America, representing US airlines, which released the result of the review, estimates the cost of the programme at about $600,000 per aircraft to be spread over eeveral years. Some airlines have already instituted the modification and replecemant process, while others have stepped up their inspection procedures.

The review was condncted as part of long-running investigations into the problems of "geriatric jets," rather than as a panic measure following recent incidents in which the *safety* of several types of jet airliner has been called Into question.

Last summer, the FAA held a conference in Washington, attended by other world regulatory bodies, airlines and manufacturers, to consider the problems of ageing jets. The task forces were then set up to stndy specific aircraft types.

As well as yesterday's report, Boeing published the results of its own studies, conducted over a sample of 72 ageing jets used by 45 airlines in 24 countries, including British Airways in the UK.

Both the ATA and Boeing suggested the modifications to ageing jets, ranging from changing rivets in fuselage panels through to replacing *bigger parts, according* to the age of the aircraft.

A basic age of 20 years is being taken as the benchmark for such modifications, although it could vary according to where and how an individual aircraft has been flown. Boeing's view is that corrosion is the most serious problem, with structural problems the least significant.

The results of the other studies covering Douglas jets and those of other makers in the UK, France, and Holland, have yet to be released. The FAA will study them all, and issue a "request for proposals" from the manufacturers and airlines for new rules governing maintenance procedures *for ageing jets, to become law* in the US later tbis year.

Boeing acknowledged that airlines operated in widely different environments. The aim was to establish identifiable problems with worldwide standard solutions.

The modifications and improvements proposed would be expensive for some airlines, bnt tbe result would be to *extend the lives of many jets*, before they become too expensive to fly and are scrapped.

Putting airliners on a rejuvenation course, Page 6

Troops move to halt price riots in Venezuela

By **Joseph Mann** in Caracas

TROOPS and armoured vehicles moved into the streets of Caracas and other major Venezuelan cities yesterday to put down a wave of civilian rioting and looting in protest against higher prices imposed as part of the country's new economic eusterity programme.

Police said that more than 20 people had died nationwide in *two days of riots, while thou*sands had been injured, mainly from gunshot wounds or broken glass. Hospitals in the capital Caracas declared a state of emergency.

Police on Tuesday reported the detention of over 1,000 people in Caracas alone.

President Carlos Andrez Perez has been confronted with the unexpected wave of popular unrest after less than a *month in office*.

The riots are the worst since the early 1960s when rebels on the left and the right used violence in an attempt to overthrow a newly installed democratic government.

The capital city of over 4m was paralysed yesterday, as mobs of men and women of all ages broke into stores and shopping centres, carrying off boxes of food and liquor, large appliances, and even motorcycles.

The streets were littered with shattered glass and filled with the sound of speeding police vans and chanting mobs.

Schools, businesses and offices closed down and radio stations warned citizens to stay off the streets.

President Perez, speaking on television on Monday night, said that he understood why many people were protesting over higher prices, but warned that the Government would not tolerate violence and looting.

On Monday students and others using public transport in Caracas and eight other cities staged spontaneous protests over new fare increases.

In some ereas, bends of youths wearing hoods ("encapuchados") provoked police, *pelting them with stones and* other debris and firing on them with guns and home-made weapons.

Although some rioters appeared prepared for trouble, President Perez's announcement of a series of tough new austerity measures on February 16, had already antagonised public opinion.

Added to this the prices of a wide variety of goods and services have risen sharply in local currency terms. Wages, however, have been hit hard by two years of high inflation.

The economic measures are part of e government effort to balance the nation's internal and external accounts and promote long-term growth. Venezuela earns $8.4bn a year from petroleum exports, but its income is not enough to cover service payments on a foreign debt of some $33bn and meet domestic needs.

While riots were taking place in Caracas, representatives of the Venezuelan Government were in the US to discuss the signing of an agreement this week with the International Monetary Fund.

Venezuela hopes to receive several billion dollars in loans from the IMF and the World Bank over the next few years.

Background, Page 6

Merrill attacks London Stock Exchange over change of rules

By **Nick Bunker** in London

LONDON's International Stock Exchange was accused by one of its leading US members last night of trying to turn back the clock to the era when equity market trading was dominated by a handful of large stock-jobbing firms.

In one of the most strongly worded protests yet delivered against rule changes implemented by the Exchange in the last three weeks, Mr John Heimann, vice-chairman of Merrill Lynch Capital Markets, the US securities bouse, said the new rules looked like an attempt to re-establish "the old oligopoly" that prevailed before the Octo*ber 1986 Big Bang*.

Though other US houses in London were relnctant to endorse his remarks publicly yesterday, Mr Heimann's comments mirror discontent felt by US eecurities firms, some French and German banks which have bought into the London market in the last few years, and some domestic houses.

His criticisms, in a speech to the Association of Corporate Treasurers in London, focused on the Exchange's related decisions to remove the obligation on market-makers to deal with each other, and to allow delays in the reporting of large trades.

They have encountered criticism in some quarters because it appears to allow the large well-established old British market-making firms to exclude newer competitors.

Mr Heimann said the rule changes meant that the Exchange was "in danger of eliminating or downgrading the very principle of transparency on which the new supposedly level playing field was created."

Mr Heimann said that these changes, though "*seemingly* parochial...raise important public policy issues." They could drive some market-makers out of London to seek better opportunities elsewbere, which would threaten to diminish global investor interest in shares in UK companies.

"Why should those firms, who feel themselves effectively excluded by these reforms, commit their resources to extensive research coverage of UK companies, and tie up the precious commodity of capital if they feel that their competitive position has been substantially weakened?" he said.

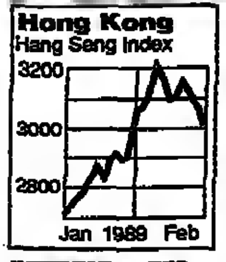
He also stressed one of the biggest objections to these rule changes voiced by some securities bouses, especially the US-owned firms, centring on their impact on the market for derivative instruments including *options. According to Mr Heimann*, the rule changes would reduce the reliability of the prices for UK equities qnoted by market-makers on the Exchange's Seaq screen-based dealing system.

This would then have the knock-on effect of undermining the merket for derivetive instruments, which depend on the prices of the underlying securities traded in the main equity market.

The head of securities trading et another leading US house said: "He's not pulling his punches, and we agree with *him*. The Exchange came out with these rule changes in December driven by the dire economic state of the business, but insufficient thought was given to the long-term implications."

MARKETS

Hong Kong
Hang Seng Index



INTEREST RATES
US lunchtime
Federel Funds 9 13/16 (same)
3-mth Treasury Bills: yield: 9.01% (8.989)
Long Bond: 97 13/32 (96 2/32)
yield: 9.122% (9.154)
London
3-month interbank close 13 3/8% (same)

STERLING
New York lunchtime
$1.72825 (1.741)
London:
$1.7445 (1.745)
DM3.1800 (3.17)
FFr10.8150 (10.7975)
SFr2.7125 (2.7075)
Y221.25 (220.75)

DOLLAR
New York lunchtime
DM1.8205 (1.823)
FFr6.1975 (6.2075)
SFr1.5545 (1.556)
Y128.725 (126.25)
London:
DM1.8225 (1.817)
FFr6.2000 (6.1875)
SFr1.5555 (1.552)
Y126.85 (126.5)

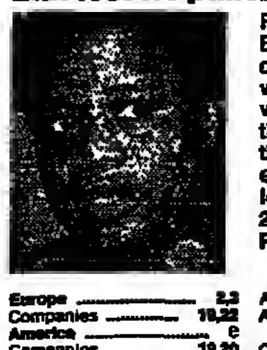
GOLD
New York latest
Comex April
$390.4 (389.8)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,258.39 (+8.03)
S&P Comp
288.73 (+0.91)
London:
FT-SE 100
2,002.4 (+5.7)
World:
143.89 (Mon)
Tokyo
Nikkei Ave
31,985.60 (-300.17)
Frankfurt
Commerzbank
1,618.7 (+23.0)

OIL
Brent 15-day (Argus)
$17.10 (-0.25) (March)
West Tex Crude
$18.125 (-0.15) (April)

CONTENTS

Nigeria: The African power that lost its punch



President Ibrahim Babangida's bloodless coup in Nigeria in 1985 was widely and warmly welcomed. But the heady deys when the country'e planners envisaged a technological leap into tha 21st century are over
Page 15

Zaikov raps activists of 'free speech street'

MOSCOW'S Communist Party chief Lev Zaikov has demanded an end to "disorder" on the Arbat, a popular pedestrian area where artists vie with pavement poets in what has been dubbed "free speech street," Reuter reports from Moscow.

Mr Zaikov, a member of the Kremlin's ruling Politburo, told a meeting of the capital's party organisation at the weekend that an "impermissible situation" had arisen on the street with "open anti-Sovietism" flourishing under the flag of democracy.

"We must wage a much more decisive struggle against extremists and nationalist-minded people and groups," he said. This, he added, would be no violation of democracy.

Mr Zaikov's remarks, reported by Moscow newspapers, clearly reflected strong official concern at the increasingly political tone taken by impromptu speech-makers and contributors to a "poetry wall" on the ancient thoroughfare.

Crowded with strollers, shoppers and foreign tourists, the Arbat has become over the past two years a focus for the new readiness of many ordinary Russians to put glasnost into action.

Last weekend on "poetry wall," a stretch of wooden fencing in front of a vacant lot half-way along the street, young and elderly Muscovites contributed acerbic verses scribbled on sheets of paper provided by a bearded man in his forties.

Typewritten verses compare Communist Party officials with the nobility of Tsarist Russia. "Our leader-tsars come and go," read one, "but each one blames the one before for all our ills."

French takeover policy put to the test

By George Graham in Paris

INVESTMENT bankers in Paris are watching the progress of two takeover bids which have turned into litmus tests of whether France has changed its attitude to foreign takeovers in the wake of President François Mitterrand's tirade two weeks ago against stock market "gangsterism" and "predatory" money.

The Finance Ministry is close to announcing its decisions on whether to allow the takeovers of paper producer Aussedat Rey and Spontex, the kitchen sponge manufacturer, by US groups.

However, the decisions have been delayed by the President's warning that he would not permit "the pillage of the French economy" by takeover bids, and by the emergence of rival French bidders, willing at least to match the US offers.

The US chemical products group, 3M, agreed last September to buy Spontex from its parent Chargeurs for FFr1.1bn ($178m).

The French competition council ruled that the merger could go ahead, despite the dominant position the combined company would have in the kitchen scouring pad market, but the final decision of Mr Pierre Beregovoy, the Finance Minister, has not yet been announced.

A rival consortium has now emerged, grouping Spontex employees, the leveraged buyout specialist LBO France, the banking and investment group Suez, and the investment fund Euris, associated with the Rothschild group, and offering to match 3M's FFr1.1bn.

Aussedat Rey, meanwhile, agreed last month to accept a FFr2.2bn bid from International Paper, the world's largest paper company. IP promised, in addition, to finance a FFr2bn expansion in Aussedat's Saillat site, as well as FFr850m of investments elsewhere in its paper and board activities.

Arjomari Prioux, the largest French paper group just ahead of Aussedat, now proposes to match the IP bid, as well as promising FFr2.4bn of investment on its own and Aussedat's sites.

Arjomari is backed by the St Louis sugar group, now its principal shareholder, which has developed something of a speciality in not quite concrete bids.

It made a similar offer to buy the Buitoni food companies from Italy's de Benedetti group, after the latter had already agreed to sell Buitoni to Nestlé of Switzerland.

The two French paper groups yesterday held talks, at the request of the French government, but Aussedat appeared to have no intention of changing its mind.

French government officials, though refusing to commit themselves on the Finance Minister's eventual decisions, yesterday sought to play down fears of a new protectionist attitude.

"On the whole, we tend to prefer a foreign industrialist to a French financier," commented one official, noting that it would be difficult to justify a ban on the two acquisitions at a time when French companies, such as the state-owned aluminium group Pechiney, are on the takeover trail in the US.

Bankers involved in the two American bids still feel that their acquisitions would be allowed to go through. They point out that both buyers were industrial groups with serious plans for developing their new subsidiaries, not the financial speculators denounced by President Mitterrand.

They are still watching carefully, however, to see if the President's words hava changed the climate for foreign investment in France.

SES in deal to buy second Astra satellite

By Raymond Snoddy in London

SES, the Luxembourg company which launched the 16-channel Astra television satellite in December, has reached agreement to buy a second existing satellite and put it into service next year.

It will be placed in the same orbital position as the first, which broadcasts Mr Rupert Murdoch's four channels of Sky Television. This will give SES the capacity to transmit 32 television channels all over Western Europe.

Informal expressions of interest are already being sought for the 16 new transponders each of which can broadcast a television channel.

SES, whose backers include Luxembourg financial institutions and three British ITV independent television companies including Thames Television,is buying a GE Astro satellite – a satellite built for a joint venture between satellite makers GE and Time, owners of the US pay television channel Home Box Office.

Although there is overall agreement on the deal, discussions are still continuing on one aspect of the financial package. The satellite owners want to take payment for the satellite that is surplus to requirements partly in cash and partly in the form of a slice of equity in SES.

The purchase of an already constructed satellite which can be converted for European use means that SES will be able to double its capacity, possibly by the middle of next year but by October 1990 at the latest.

It now seems likely that owners of Astra satellite dishes will be able to receive 32 channels within a year of the launch of British Satellite Broadcasting although many of the new Astra channels could be aimed at non-English speaking markets.

BSB plans to launch three channels of television aimed specifically at the UK in September and add a further two channels in 1990.

The second Astra satellite is theoretically a back-up satellite but because of the reliability of modern technology all 16 transponders will be used for new programme services. Each satellite has, in any case six spare transponders.

Discussions are taking place with six potential industrial sponsors to provide much of the financial backing for Mr Murdoch's Sky Arts channel. The Astra channel aimed at all of Western Europe is scheduled for launch in the autumn.

Mr Murdoch, the publisher and chief executive of News International, has decided to put together his own arts channel following the end of talks with the existing arts channel now being funded by United Cable of the US.

Apart from possible industrial sponsors it is believed Sky has been approached by orchestras and opera houses offering sponsorship in return for access to the airwaves.

Solidarity's recovery brings old feuds to life

By Christopher Bobinski in Warsaw

INTERNAL RIVALRIES and long-standing political feuds in Poland which were muffled under martial law are beginning to re-surface within the Solidarity movement as Mr Lech Walesa continues with his efforts to win back a public role for his movement at round-table talks in Warsaw.

One potentially divisive issue is whether Solidarity should recognise its dissolution under martial law and register anew, or seek re-legalisation with its 1981 statute and leadership intact.

Last week Mr Mieczyslaw Rakowski, the Prime Minister, insisted that the authorities were interested only in registering a new union.

Indeed, this position seems to have been conceded by Mr Walesa and a majority of the union's establishment.

Last Wednesday, however, Mr Walesa ran into a full blown row in the industrial city of Lodz where Solidarity is split, even as it reorganises in the factories, between supporters of the majority line andleaders like Mr Andrzej Slowik, elected in 1981, who argue that their mandate still runs.

Mr Walesa was in Lodz for a meeting with 5,000 supporters on one of his trips to explain current policies, but the encounter was dominated by the issue of who was to run the region.

Supporters of Mr Slowik, in a minority at the ticket-only meeting organised by their rivals, nevertheless demonstrated their allegiance energetically by holding up placards bearing their leader's name.

Mr Slowik, a bus driver who led the strike in the city in 1980 and then spent almost three years in prison during the martial law period, was particularly incensed that Mr Walesa had nominated in January Mr Jerzy Dluzniewski, who had also served time in prison under martial law as local Solidarity chief.

Some two years ago Mr Slowik and several other of Solidarity's "historic" leaders were eased out of the union's then semi-clandestine steering committee.

They have since set up a "working group" which claims support in Szczecin, Czestochowa and some smaller towns and which is demanding that Mr Walesa call the union's 1981 leadership into session.

The Solidarity leader admitted last Wednesday that he no longer recognised the union's 1981 statute or elections and was now acting as a "usurper" whose duty was to establish a legal Solidarity which could then proceed to hold union elections.

Mr Walesa, who is asked about the working group's demand almost wherever he goes, steadfastly refuses to concede.

He argues that, with so many members of the leadership abroad, such a meeting would easily be infiltrated by the security services.

Serbia to gain greater sway over Kosovo

By Judy Dempsey in Vienna and Aleksandar Lebl in Belgrade

TENSIONS BETWEEN Serbia and the neighbouring province of Kosovo were heightened yesterday after Mr Raif Dizdarevic, Yugoslavia's President, said that Serbia's constitution would definitely be strengthened to give it greater control over Kosovo's affairs.

His comments came in spite of ethnic unrest in Kosovo and what seems a partial victory for ethnic Albanian miners in the province who staged an eight-day strike in protest at Serbia's attempts to run the province.

The strike ended late on Monday night after the miners had forced the resignation of three top Kosovo party officials who support Mr Slobodan Milosevic, Serbia's powerful party leader.

Yesterday, Mr Dragan Tomic, head of the party-backed Belgrade branch of the Socialist Alliance union grouping, who is a close ally of Mr Milosevic, demanded that the "organisers of the strikes be arrested" and that the Kosovo party resignations should not be accepted. These remarks, along with President Dizdarevic's, could lead to fresh strikes by the ethnic Albanians who want to regain their political autonomy.

Mass demonstrations were held yesterday in Belgrade and other towns in Serbia and Montenegro to protest at the developments in Kosovo. After Albanian miners ended their strike, Serbian and Montenegrin miners descended into pits in Kosovo vowing not to come out if the demands of their Albanian comrades were satisfied.

E Europeans feel freer to criticise the neighbours

By Leslie Colitt in Berlin

EAST EUROPEAN countries have recently been taking more advantage of Moscow's policy of non-interference in their affairs to express growing criticism of each others' political and economic systems.

Poland's reform-minded Prime Minister, Mr Mieczyslaw Rakowski, angered the orthodox leadership in Prague last week by attending a performance in Warsaw of a play by Mr Vaclav Havel. Only a few days earlier the Czechoslovak human rights campaigner had been sentenced to nine months in prison for attempting to lay flowers at a statue in Prague.

Recently, the conservative East German leadership was also taken aback when a leading member of the Soviet politburo, Mr Alexander Yakovlev, noted apologetically on West German television that "we did not build the Wall" in Berlin.

In a pointed response, General Heinz Kessler, the East German Defence Minister, said the Soviet army had backed East German forces when the Wall was built in August 1961. The securing of the Wall, he said, not only served East Germany's security but also "that of our neighbours."

Professor Otto Reinhold, head of the East German party's Academy of Social Sciences, sharply criticised reforming East European countries for raising prices to the point where low income groups were suffering the most. This had nothing to do with "social justice" he said.

The growing outspokeness among East Europeans began with the war of words between Hungary and Romania over the treatment of the 1.7m ethnic Hungarians in Romania. It escalated this week to the point where Hungary called on the United Nations to investigate Romania's plan to raze thousands of villages, including those of ethnic Hungarians.

Hungarian officials also regularly criticise economic links with the Soviet Union as being to Hungary's disadvantage, a theme cautiously picked up by Czechoslovakia.

The Hungarian press, the most open in Eastern Europe, gleefully lashed into an article criticising glasnost and destalinisation in the Soviet Union written by Prof Eva Fojtikova, wife of the Czechoslovak party's hard-line ideological chief, Mr Jan Fojtik. The recent trials in Prague and protests against them were also given widespread coverage in the Hungarian media.

The blunt criticism being voiced in Eastern Europe these days often reflects long-suppressed emotions in a region which until recently was under tight Soviet control.

Workers want third of Waterford glass

THE 2,000 workers in the crystal division of Ireland's Waterford Glass Group have demanded a 33 per cent share in the company's crystal-making operations, writes Kieran Cooke. This is their price for accepting a management rescue plan for Waterford's crystal division. Last month, Waterford said "accountancy errors" in the crystal division meant performance would be well down on the expected level. Workers rejected a management rescue plan which included a pay freeze.

FINANCIAL TIMES
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York, NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, DENMARK. Telephone (01) 13 44 41; Fax (01) 935335.

Date set for European broadcasting accord

By William Dawkins in Brussels

THE 22 member countries of the Council of Europe aim to finalise on March 15 the details of a common legal framework for cross-border broadcasting.

National ambassadors to the Strasbourg-based Council, an international body mainly concerned with human rights and culture, agreed yesterday to meet next month to complete their draft broadcasting convention, paving the way for its final adoption by May.

This follows the resolution a day earlier of a deadlock by European Community trade and industry ministers over the most contentious part of a similar proposal by the European Commission. Both organisations' proposals are for international norms for advertising breaks, moral standards and the proportion of European-made programmes to be broadcast by channels in the system.

EC officials will attempt to put the finishing touches to the Community accord (which is broadly in line with the Council convention) in time for agreement at a special ministerial meeting on March 13. All EC countries are members of the Council of Europe and so would have to observe both sets of rules.

Meanwhile, foreign ministers of the Strasbourg Council plan to open their convention for signature a week after the ambassadorial meeting on March 15, the last hurdle before full adoption. The EC accord on Monday evening removes an important area of possible conflict between the two broadcasting proposals and reduces the likelihood of legal confusion between the two sets of rules.

EC ministers agreed that programmes which included a "majority" of European content, to be monitored by the Commission, should be guaranteed the right to be broadcast anywhere in the EC. The Commission, backed by France and Italy, wanted a legally binding 60 per cent European programme content. This was successfully opposed by most northern EC countries, led by Britain and the Netherlands, which wanted to follow the Strasbourg Council's line and have no fixed European quota, beyond a simple majority.

While the accords on European qnotas will make little practical difference (especially in the UK, where 85 per cent European content is already the norm) northern member states welcomed it as giving television companies maximum commercial freedom.

The remaining issues to be cleared up by mid-March are far less divisive, though still pose problems. They include the amount of time to be reserved for advertisements and the frequency with which they should appear, where the Commission and the Council of Europe both propose a maximum of 15 per cent of daily airtime to be set aside for advertising.

However, the Commission and some member states do object to a parts of the Council's draft convention that could allow governments unilaterally to interrupt foreign broadcasts that do not comply with local advertising and censorship regulations. These could conflict with EC free trade rules, say Commission officials.

Millan faces tough choice on regional aid

By David Buchan in Brussels and Hazel Duffy in London

THE POLITICAL heat is being turned on Mr Bruce Millan, the new Commissioner for regional policy, as he finalises his list of declining industrial areas due to get some Ecu675m (£433m) in EC aid this year.

The heat is coming mainly from Mr Millan's own country, whose government officials yesterday complained that Britain looked like getting "a raw deal". From recent talks involving UK ministers, they feared that such depressed areas as Govan and Ayr in western Scotland, industrial black spots in West Yorkshire, Nottinghamshire, Lancashire, Wales, and problsm urban areas, including some of inner London, would "fall off the edge " of Mr Millan's list.

A Commission official yesterday firmly rejected the UK complaint, noting that Mr Millan would only be submitting his final list for approval to his Brussels colleagues on March 8 and pointing out that the UK could still expect to get the biggest single slice of aid going to areas of industrial decline.

"There will be no raw deal, but a fair deal, even though everyone involved believes his problems are the worst", the official said. The UK received around £700m from the regional and social funds last year.

This year's national share-out of EC regional aid is more fraught politically than ever. Last year's reform of Community structural funds will double the total money available by 1992. But it also required the Commission to concentrate that money more than in the past. Eighty per cent of this year's Ecu4.5bn regional fund payments will go to backward rural areas, with Spain taking the lion's share, and most of the rest is to go to declining industrial areas of which the UK has more than any other EC member.

The industrial regional aid is supposed to go to areas covering no more than 15 per cent of total EC population. But Mr Millan has been flooded with applications involving regions with a quarter of EC population. For the past three weeks he has been trying to persuade national ministers to state their priorities. But ministers have been reluctant to name areas, all of which they have told Mr Millan deserve assistance, and that it is therefore for the Commission to make choices.

Commission draws up food hygiene plans

By Tim Dickson in Brussels

THE European Commission confirmed yesterday that it is in the preliminary stages of drawing up important new proposals for improving the standard of food hygiene throughout the European Community.

The move is likely to be followed with particularly close interest in the UK, which has witnessed an unprecedented debate on food health and food safety in recent weeks as attention has been focused on salmonella in eggs, listeria in cheese and most recently BSE in cattle.

The Brussels initiative, however, considerably predates the political storm over the issue in Britain and is inspired mainly by the wider plan to create a barrier free single market by the end of 1992.

More specifically it is recognised that if the frontier posts where checks on cross border food consignments take place were removed tougher controls at the point of food production would be needed.

Mr Paul Gray, a leading food law expert in the Directorate General responsible for the internal market at the Commission, told a conference organised by the Centre for Policy Studies yesterday that the draft hygiene directive would be a "soft law" laying down general guidelines rather than hard and fast rules. "Hygiene is basically all about good practice in industry but good legislation is needed to catch the cowboys."

Mr Gray said the question of food-borne disease had "sadly become a political football in recent months" and had been "subject to comments from scientists which are sometimes misunderstood or incomplete, or lacking that self-critical honesty which is the basis of all sound science."

He cited a study carried out by the Commission which showed that most cases were transmitted through animal products and occurred as a result of mishandling at the final stages of preparation.

"Community legislation already requires instructions on storage and preparation and date marking so that important contributions can be made by ensuring strict observance of these provisions through vigilance of control services and consumers."

Britain seeks EC go-ahead on Short Bros debt

By William Dawkins

THE British Government yesterday spproached the European Commission for clearance for its plans to take over £390m of the debts of Short Brothers, the Belfast aerospace group being groomed for privatisation.

The Commission will now investigate the government's request. Officials stressed the Commission would need to know what conditions the British Government would sttach to the write-off, details of possible further cash injections and what kind of company would take over Short's.

Commission competition experts would want to see the extent to which the Government plans to return the company to normal commercial conditions.

A consortium led by GEC of the UK and Fokker of the Netherlands has shown interest in taking over Short's, but officials in Brussels understand the present front-runner is a North American company, possibly Bombardier of Canada.

The UK's request is being studied by Commission competition experts before going to Sir Leon Brittan, the British Commissioner responsible, for a decision within four to six weeks, an official said.

All state subsidies have to be vetted by Brussels to ensure they stay within EC competition rules against Government hand-outs likely to give beneficiaries an unfair advantage over EC competitors.

Member-states have become increasingly careful to provide full details of aid proposals in advance, to avoid repeating the wrangles over state subsidies in recent years.

The UK is still smarting from an embarrassing tussle with the Commission over state aid only last July.

The Government was forced to make a 40 per cent cut in its proposed £800m debt-write off for Rover, only to find that British Aerospace, which was buying the company, had difficulty accepting the Commission's insistence that it stick to Rover's plans for major closures and redundancies. Britain will be keen to avoid a similar row.

Marcinkus likely to step down as head of Vatican's bank

By John Wyles in Rome

THE 20-YEAR reign of Archbishop Paul Marcinkus as head of the Vatican's bank, Istituto per le Opere di Religione (IOR), is expected to end this month after a long period of controversy abont the bank's role in the 1982 crash of Banco Ambrosiano.

Opinion inside the Vatican is believed to have held for some time that the IOR needed a change of image after the persistent allegations of its involvement in the defrauding of Ambrosiano.

A payment of $250m to Ambrosiano creditors in recognition of IOR's moral involvement in the collapse of the Milan bank did nothing to alleviate suspicions, nor to save Archbishop Marcinkus from the embarrassment of an arrest warrant on a fraud charge which was issued in 1987 by Milan magistrates.

The warrant was anulled by Italy's constitutional court last year on the grounds that the 1929 Lateran Pacts prevent the Italian state from interfering in the central institutions of the Roman Catholic Church.

The occasion for a change at the top of IOR will be alterstions in its statutes which are due to be agreed next week by a special working group of 15 cardinals charged with dealing with the Holy See's economic affairs.

It is not yet known whether the 66-year-old golfing Archbishop will be replaced by another priest or by a layman.

Equally, nothing is known of the Chicago-born prelate's likely future, although some rumours suggest a return to diplomatic life and others a post in charge of one of the Vatican's "ministries."

● Flights in and out of Italy are likely to be delayed during a 24-hour work-to-rule by air traffic controllers beginning at midnight last night, airport officials said yesterday, Renter reports from Rome. They said the dispute, over pay and working conditions, would cause greater disruption for arrivals than departures.

Customs officers at Rome's Fiumicino airport have said they will continue an overtime ban and work-to-rule, which has caused delays since the beginning of last week, until midnight today

Italy warned on economy overheating

By John Wyles

THE BANK of Italy yesterday warned of s danger of overheating in the economy, leading to higher inflation unless steps are taken to control public spending.

The bank's strictures, in its half-yearly Economic Bulletin, provide a sober background to Prime Minister Ciriaco De Mita's bid to line up his government behind an austerity package. The inner cabinet is expected today to review the economy, and examine a paper proposing spending cuts in bealth, pensions, pnblic employment and transport subsidies.

The bank says inflation is unlikely to be stabilised at around 6 per cent in the second half, unless steps are taken to dampen domestic demand and put the budget deficit back on s track set last autumn for a total L117,300bn (£49.6bn).

On current trends, the deficit looks likely to be a minimum L130,000bn. Spending allocations for health, welfare and pnblic sector pay ore likely to be breached, while the cost of debt servicing may exceed the estimated L93,000bn because of heavy borrowing requirement and a shortening of the government debt's average term.

The bank says market conditions have forced 75 per cent of the borrowing requirement in the first two months of the year to be financed with short-term Treasury bills. Outlook for government revenues is surrounded by "uncertainty".

Bonn 'not turning soft' on defence

By David Marsh in Rheindahlen

MR RUPERT SCHOLZ, the Bonn Defence Minister, yesterday denied that West Germany was turning soft on defence, arguing that the country's recently confirmed decision to increase military service to 18 months from 15 months this year was without parallel in Nato.

At a press conference after a visit to the headquarters of the British Army of the Rhine at Rheindahlen near Mönchengladbach, Mr Scholz, however, also underlined Bonn's wish not to be pushed into any rapid decisions on deploying new weapons systems for the 1990s.

Answering a question about the British forces' desire for n new stand-off air-launched missile (TASM) to be fitted on board Nato aircraft in the 1990s, Mr Scholz said the matter was "open." The subject of TASM, as well as the debate on replacing the ageing US land-based missiles with a longer-range weapon, is one of the issues dividing West German from military opinion in the US and Britain.

Mr Scholz said West Germans felt less threatened by the Warsaw Pact, but maintained this was a welcome result of what he called "a secured defensive capability" on the part of the West. In spite of mounting public opposition to low flying by Allied forces and to other military manoeuvres on West German soil, opinion polls showed that support for the presence of Nato forces in the Federal Republic had risen over the years, he said.

He admitted none the less that the rise in conscientious objectors to conscription, to between 10 and 12 per cent of draftees, was posing problems.

Australia denies it is trying to talk down dollar

By Chris Sherwell in Sydney

AUSTRALIAN Government officials yesterday responded to unusual turmoil in the foreign exchange markets by rejecting suggestions that they were trying to "talk down" the value of the Australian dollar.

The currency, among the half dozen most heavily traded in the world since it was floated in 1983, finished off the bottom in Sydney yesterday at 80.2 US cents, having at one point touched 78.6.

Although this was still a sharp drop from Monday's close of 81.7 cents, it more than made up the ground given in heavy selling overnight in London and New York – selling which on Monday led to supportive intervention by the US Federal Reserve.

On a trade-weighted basis, the currency yesterday closed at 59.6 (May 1970=100), down from 60.7 overnight.

This means the currency has now slithered from 67 in the space of little more than two weeks, hastened by Australia's latest current account deficit figures 12 days ago, which confirmed the country was heading for its largest annual deficit ever.

At that time, Mr Paul Keating, the federal Treasurer, commented on the dollar's value for the first time in more than two years, saying that, when domestic demand moderated, he hoped and expected the dollar to fall.

His remarks reinforced a downward trend which had just begun because of Reserve Bank selling and news of the current account figures. Having fallen to around 61 on a trade-weighted basis, it looked liked pausing.

That was until two days ago. On Monday the market, newly attuned to any purported government remarks on the currency, was greeted with a front page comment column in the Australian Financial Review suggesting, without any attribution, that the government wanted to "talk down" the dollar to 78 cents.

Though it contributed to some weakness on Monday, there was no reason to suppose a major sell-off was imminent. The only wire service reference to the Review's report was apparently in a currency round-up at the end of the day, but it is assumed that information about the article was passed on to other centres.

For some reason it was taken seriously enough in London and New York for the dollar to be marked down.

By the time Australia awoke, the Fed had intervened and the currency was steadied at 79.5 US cents.

The real surprise, however, was the alleged reason being given for the fall by local radio and the Sydney Morning Herald's later editions – alleged comments by Mr Bob Hawke, the Prime Minister, in a television interview the previous night foreshadowing a dollar fall to 78 US cents.

In fact he had said nothing whatsoever about the currency, as he was to protest in a statement yesterday. Nor for that matter had Mr Keating said anything about the dollar in a separate television interview the same night.

But in embarking on their media campaign to explain that their policies were still on track, both had indicated their disappointment and concern about the balance of payments. At the end of a nervous day, confusion was inevitable.

Mr Keating's office insisted yesterday that no one in authority was responsible for "placing" the Review article, that he would be making no further comments about the currency, and that neither he nor the government had any target range in mind for the dollar.

Iranian break with Britain likely to be hard to mend

Victor Mallet on the problems of having no diplomatic links

IF IRAN carries out yesterday's threat to break diplomatic relations with Britain completely, it will become the third country in the Middle East – after Libya and Syria – with which Britain has no formal diplomatic ties.

Following Ayatollah Ruhollah Khomeini's call to Moslems to kill Mr Salman Rushdie, the Indian-born British writer, Britain's relationship with Iran is now much worse in practice than its ties with the other two hard-line Middle East countries. Disputes over suspected Lybian and Syrian involvement in terrorism have been somewhat mellowed by the passage of time.

Britain has pulled out all its diplomats from Tehran, and Iran's representatives were due to leave London yesterday. A formal break in relations, as recommended by the Iranian parliament, inevitably makes it more difficult for any two governments concerned to do diplomatic business with each other, but it does not necessarily put a stop to indirect contacts or a healthy trading partnership.

"We do not have high level direct access and of course it limits your room for manoeuvre – that's why a break is the last resort. Once broken, it can be slow and difficult to put it all together again," said one British official yesterday.

Britain is undoubtedly pleased that "moderate" Arab countries, whatever their private misgivings about Mr Rushdie's novel The Satanic Verses, have not so far stepped into the public debate on the Rushdie affair. Gulf states such as Saudi Arabia and Kuwait are fervent upholders of Islam, but they regard Iranian Shia radicalism as dangerously subversive.

In sharp contrast to the row between Britain and Iran, a dispute between Britain and Iraq at the end of last year was hushed up by both sides. Britain expelled three members of the Iraqi Embassy in London for "activities incompatible with their diplomatic status" in October, and Iraq retaliated by ordering three Britons out of Baghdad. There was speculation that Britain was concerned about the Iraqi regime's surveillance of its exiled opponents.

Britain has also been pleasantly surprised by the strength of European Community support for its stand against Iran, something which was notably absent in the aftermath of the dispute with Syria over the Hindawi affair in 1986.

Britain broke relations with Syria after Nezar Hindawi, a Jordanian, was convicted of attempting to plant a bomb on an Israeli airliner at Heathrow airport. Britain insists Hindawi was helped by the Syrian Embassy in London, and that Syrians connected with terrorism are still in positions of authority, while the Syrians say they were the victims of a plot by Israeli intelligence.

Both governments maintain a presence in each other's capitals in their old embassy buildings, the Syrians have an interest section of the Lebanese Embassy, and the British using a similar arrangement with Australia.

British relations with Libya were badly soured by the killing of a policewoman during a demonstration in London in 1984 against Col Muammar Gadaffi's regime. She was killed by shots fired from inside tha Libyan People's Bureau, and Britain broke relations with Tripoli.

Mr Ali Akbar Velyati, Iran's Foreign Minister, addresses MPs in support of severing relations with Britain

Sudanese military puts troops on full alert

SUDANESE military chiefs put their troops on full alert yesterday and rejected attempts by Prime Minister Sadeq al-Mahdi to defuse their challenge to his government, Reuter reports from Khartoum.

"The armed forces would like to assert that all the contents of its memorandum dated February 20 1989, addressed to the supreme commander of the armed forces (head of state Ahmed Ali al-Mirghani) and the chairman of the National Defence Council (Mahdi), must be carried out," the Armed Forces General Command said in a statement.

But the statement added that the 60,000-strong army remained committed to democracy and the constitution.

Sudan's generals last week gave Mahdi seven days to institute political reforms and either spend more money on defence or negotiate an end to the civil war in the south. Their ultimatum expired on Monday.

Defence sources said troops throughout the country and in Khartoum had been placed on full alert.

"We gave the government an ultimatum to reply to our demands. It replied, and we rejected its reply. Now it will have to come up with a satisfactory answer," one source said.

He said the military was committed to democracy, but might change its stance if Mahdi's government refused to yield.

Mahdi told parliament on Monday he would resign next Sunday unless he received assurances from the military that it would continue to respect the constitution.

He also asked it for a free hand to form a new, broad-based government and appealed to trade unions to stop strikes as long as the war against the Sudan People's Liberation Army (SPLA) continued.

The statement also rejected what it called hints at inefficiency and lack of discipline within the army.

"We would like to assert that immediate and continuous military backing is the solution to redress the strategic balance (in the south)," it added.

The brief, sharply-worded statement followed one by 37 political parties and trade unions calling on Mahdi to accept a peace pact reached last November between the SPLA and the Democratic Unionist Party (DUP).

The pact was rejected by parliament two months ago and the DUP quit the ruling coalition in protest.

In presenting its ultimatum last week, the military complained that it lacked sufficient supplies and government support to defeat the SPLA, which has been fighting since 1983 to end what it sees as the rule of a Moslem minority clique.

The military also blamed government policy for what it said was a virtual halt in foreign arms support and called for the dissolution of armed militias operating outside army control.

The statement yesterday made no mention of an SPLA claim on Monday that it had captured the garrison town of Torit in Equatoria region near the Ugandan and Kenyan borders. If confirmed the fall of Torit would be the second major SPLA victory this year and the latest in a series of army defeats which began last September.

Editorial comment, Page 16

Visiting British minister to try to cool Israeli anger

By Andrew Whitley in Jerusalem

DANIEL, entering the lion's den, would recognise the emotions being experienced by Mr William Waldegrave, the British Foreign Office Minister, who arrived in Israel last night for an extended visit to the Jewish state.

"There is no question that Britain is in bad odour with the Israeli Government at this moment," a senior Western diplomat remarked recently.

The lead Britain has taken in promoting relations with the Palestine Liberation Organisation, coupled with the mildly provocative comments Mr Waldegrave made about Israel's leaders after talks in Tunis with Mr Yasir Arafat, the PLO chief, has seen to that.

Against the background of the prickly relationship left over from the days of the British Mandate in Palestine, feelings are still sore in Israel over the visit in January, 1988, of Mr David Mellor, Mr Waldegrave's predecessor at the Foreign Office.

His public upbraiding of an Israeli army officer in the midst of the Jabalaya refugee camp in the Gaza Strip incensed Mr Yitzak Shamir, the Prime Minister, and contributed to a further cooling of a relationship already turning distinctly chilly.

In a clear mark of official displeasure, there are no plans at present for Mr Shamir to meet the British envoy during his five days in Israel.

All the gestures of appeasement are on the British side. The programme is packed with visits to symbolic Israeli sights, such as the Yad Vashem holocaust memorial centre in Jerusalem, the grave of Mr Ben-Gurion, the state's first Prime Minister, and the Masada hilltop, where hundreds of Jews committed suicide, rather than surrender to the Romans.

Mr Waldegrave will deliberately not be making the clear distinction that most foreign dignitaries do between Israel and the Arab territories it captured in 1967.

Indian budget aims at wooing poor voters

By David Housego in New Delhi

THE Administration of Mr Rajiv Gandhi, India's Prime Minister, yesterday sought to strengthen its socialist credentials with a welfare-orientated budget designed to broaden its mass support in advance of the general election due later this year.

The most striking proposals in the budget were schemes to help the poor through job creation measures backed by subsidised clothing and meals. The new employment package will cost Rs5bn ($325m) in the 1989-90 financial year and the other welfare measures a further Rs7.2bn.

They had been urged on the Prime Minister by leaders of the Congress I Party who believed that it needed to shed the increasing middle-class image it has won under Mr Gandhi if it was to have a chance of being returned this year at the polls. The welfare measures announced by Mr S. B. Chavan, the Finance Minister, will largely be financed out of new taxes that fall most heavily on the middle class and the rich.

The budget documents show that tax revenues will rise 23 per cent next year with Rs5bn – the cost of the employment package – coming from an additional surcharge on those with incomes greater than Rs4,600 a month. Indirect taxes rise sharply on goods and services considered luxury items including foreign travel, domestic air travel, spending in large hotels, cars, cigarettes, television sets, cassette players and computers.

In an effort to reduce imports and ease the balance-of-paymeots strains, customs duties on a large range of electronics components have been raised from 35-50 per cent to 40-60 per cent.

With overall government expenditure rising by 11 per cent to Rs821bn, the effect of the sharp increase in taxation is to limit the increase of the budget deficit to 6 per cent at Rs295bn.

Mr Gandhi was under strong pressure from the Reserve Bank (the central bank) not to allow the budget deficit – one of the largest in Asia – to widen further because of the potential inflationary consequences. As a percentage of GDP, the deficit should be lower than last year because of the economy's expected expansion at 9 per cent in real terms.

Mr Chavan gave his budget speech before deserted opposition benches – the first time this has occured on budget day since Independence. The opposition walked out because Mr Gandhi had accused them the day before of "supporting terrorists" in the Punjab.

Taiwan's debt reaches 13-year low on $1.5bn

TAIWAN'S external debt hit a 13-year low of $1.51bn in calendar 1988 and is expected to drop further this year, the Finance Ministry said yesterday, Reuter reports from Taipei.

Public debt fell to its lowest level since 1975 when it was about $1.1bn, a ministry official said. It will drop to about $1.2 bn this year, he added. The debt was $1.89bn in 1987 and a record $6.29bn in 1983. Private debt figures were not available.

Mr Chang Chi Cheng, the central bank governor, last month told a news conference that Taiwan could wipe out its debt overnight.

MPs demand Nakasone face questioning

By Stefan Wagstyl in Tokyo

THE Japanese Diet (parliament) was brought to a standstill yesterday after the ruling Liberal Democratic Party refused to accept opposition demands for Mr Yasuhiro Nakasone, the former Prime Minister, to be called to answer questions abont his involvement in the Recruit financial scandal.

Proceedings are expected to be held up at least until Friday while opposition leaders try to force the LDP to summon Mr Nakasone. The suspension, which will hold up approval of important budget bills, highlights how the Recruit affair is impeding the running of the Government of Mr Noborn Takeshita, the Prime Minister.

Mr Nakasone made his first public statement on the scandal on Monday, when he denied all allegations of wrong-doing including favouring Recruit, the company at the centre of the scandal, in retnrn for sbares sold on fsvourable terms to his secretaries.

But opposition politicians were dissatisfied with his answers and demanded that Mr Nakasone sppear before a Diet committee. Mr Nakasone himself yesterday postponed a planned 13-day trip to the US, saying he wold stay in Japan until the budget blils were passed. His decision migbt indicate that sooner or later he will be forced to give evidence as the opposition has demanded.

Israeli 'held hostage' for PLO activists

By Andrew Whitley in Jerusalem

AN anonymons caller yesterday demanded the release of 1,500 jailed Palestinians in exchange for a missing Israeli soldier, feared kidnapped by Palestinians.

Speaking Hebrew with a Palestinian accent, the caller told state-run Israel Radio that a cassette recording of the soldier, Sergeant Avi Sasportas, would soon be provided, as proof they were holding him. Security forces are taking the call seriously.

It was the second message in two days to news organisations in Israel about the soldier, who disappeared near the occupied Gaza Strip two weeks ago. Thousands of volunteers have been combing fields and orchards across s wide tract of sonthern Israel in a search which has so far turned up only his army boots and identity tags.

On Monday, an Arabic speaker claiming to represent a previously unknown group, the Palestine Arab Army, said it was holding Mr Sasportas somewhere in the occupied territories, and would be making its demands known shortly.

If the calls turn out to be genuine, Israel will be confronted with its first hostage-taking incident. In the past, Palestinian guerrilla groups have frequently attempted to cross the border from Lebanon and take civilian hostages as bargaining counters.

Children tortured in Iraqi prisons, says Amnesty

By Victor Mallet

BRUTAL treatment of children for political purposes has become routine in Iraqi prisons, Amnesty International, the London-based human rights group, said yesterday.

Young people, many of them Kurdish, have been tortured to force them to reveal information about their relatives, and even infants have been ill-treated so that members of their families will confess to political offences, Amnesty said in a grim four-page catalogue of accusations.

"Usually they keep such children in a separate cell next to the mother's or father's cell and deprive them of milk in order to force the parents to confess," one former political prisoner told Amnesty. "I saw a five-month-old baby screaming in this state."

Amnesty appealed to Iraq to stop the brutal treatment and imprisonment of children, saying that the practice violated international law and Iraq's own legislation. Minors under 18 years of age had been illegally executed, the report said, and others had "disappeared".

Amnesty said it was appealing to the UN Commission for Human Rights, now meeting in Geneva, to monitor human rights abuses in Iraq. School children had been lined up and shot in public, and whole families had been killed in attacks by Iraqi troops on civilian targets, the report added.

The fate of hundreds of Kurdish children and yonths seized more than four years ago in retaliation for their relatives' political activities remains unknown.

Amnesty said the forms of torture used in Iraqi prisons included beatings, electric shocks and mutilation.

UK Government rejects church sanctions call

By Robert Mauthner, Diplomatic Correspondent

THE British Government yesterday rejected a call by the British Council of Churches for the imposition of a wide range of economic and other sanctions against South Africa.

Replying to "a call to action against apartheid" made by the Council in a policy paper, Mrs Lynda Chalker, a junior Foreign Office Minister, reiterated the Government's position that "punitive sanctions would destroy what leverage we have with the Sonth African". It would also hit the black population hardest.

In its policy paper, the Council accused Britain of being "out of step with the great majority of countries". The British Government accepted that economic pressures resulting from market jndgments could be effective in influencing the South African Government, bnt it refused to strengthen or reinforce those pressures.

The time was ripe for the international community to apply renewed pressure to force the Pretoria Government to negotiate with leaders of the South African black community, the Council's paper said.

A broad consensus existed that the most effective pressure would be the application of comprehensive and mandatory sanctions by the United Nations Security Council. However, pending the adoption of such measures, Britain should bring its policy into line with other members of the Commonwealth, the Nordic and the European Community countries, the Council said.

The measures which the British governmant should implement included steps to strengthen and enforce the arms and oil embargoes.

Ethiopians 'forced out of Tigray capital'

ETHIOPIAN rebels said the Government abandoned the capital of the northern Tigray province yesterday, Reuter reports from Khartoum. There has been no independent confirmation of the report which was issued by the Tigray People's Liberation Front (TPLF), which now claims to control the entire province of 5m people.

According to Mr Yemane Kidane, a TPLF central committee member, the Ethiopian army flew heavy artillery, government officials and party leaders out of the capital Mekele, north of Addis Ababa, ns 15,000 troops marched south towards Wollo province.

"This is the first time Tigray has been liberated in the 14 years of this Ethiopian regime," Mr Yemane said, adding: "I haven't seen Mekele for 20 years."

S African banks raise prime rate to 19%

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S commercial banks yesterday raised their prime lending rate 1 percentage point to 19 per cent in a belated response to last Wednesday's 1.5 percentage point rise in the Reserve Bank discount rate to 16 per cent.

The banks normally raise their prime rate immediately after an increase in the discount rate but were prevented by faulty drafting of the recently amended Usury Act which lawyers interpreted as requiring one week's written notice to borrowers of all rate increases. This has now been amended so that future prime rate changes will again closely follow the discount rate.

● The Central Statistical Service announced that GDP at constant 1985 prices rose by 3.2 per cent last year, up from 2.3 per cent in 1987 and 0.3 per cent in 1986. This is higher than earlier government and Reserve Bank estimates of 3 per cent growth last year.

China and Indonesia end 20-year rift

John Murray Brown reports on trade and diplomatic results of renewing relations

INDONESIA and China last week chose the rather colourless backdrop of a Tokyo hotel room to announce that after more than 20 years they are to resume full diplomatic relations.

Indonesia newspapers reported few details of President Suharto's first ever meeting with Qian Qichen, the Chinese Foreign Minister, only to say China pledged not to interfere in Indonesia's internal affairs. Diplomats say Singapore, the only other country in the region not to have relations with China, largely in deference to Indonesia, is now likely to follow suit.

The breakthrough means that the region's two largest countries can confer directly on vital issues such as the Kampuchean peace process, where both are playing a key role. The resumption of ties could also dramatically change the region's trading pattern as both countries look for new export markets in the search for foreign exchange.

On his return to Jakarta on Sunday, President Suharto said there was a need for co-operation but he stressed "there will never be any special relationship" with China.

Peking is still accused of supporting the failed leftist coup of 1965, which prompted General Suharto and his New Order government to seize power. Today some in the Indonesian military remain suspicious not only of China's regional ambitions but also of Indonesia's own 5m ethnic Chinese population.

Yesterday it was reported that 60 local Chinese had had their passports confiscated after travelling to China without clearance from Bakin, the state intelligence board. The Head of Immigration commented there were ten people who went to China for every one who registered with Bakin.

For all thet, in recent months diplomatic pressure on the Suharto Government to resume ties has increased considerably. One obstacle was removed in August, with the end of a 12-month amnesty for so-called illegal Chinese left stranded without papers when Jakarta froze relations in 1967. Thase stateless Chinesa totalled around 200,000 in a 1986 census but today probably number fewer than a few thousand.

The commercial arguments for a thaw are more compelling. In the wake of the fall in its oil earnings Indonesia is intensifying its search for new export markets. The restoration of trade ties with Peking in 1985 saw a boost in two-way trade, but largely in Indonesia's favour.

Businessmen view China as s potentially huge market for Indonesia's industrial and raw material exports. There is also some scope for technological co-operation in areas such as satellite construction. China for example is keen to launch its Long March rocket from an equatorial site in Indonesian Kalimantan.

Representative trade offices have still to be established – a condition written into the 1985 protocol. Another bone of contention has been Peking's refusal to allow Société Générale de Surveillance, the Swiss customs surveyors, to check Indonesia's imports at source, which has caused delays.

One interesting result of the recent trade promotion is the growth of Kadin, the government-controlled chamber of commerce which informally promotes indigenous Indonesian business. Kadin's China operations have been conducted largely at the expense of Indonesia's powerful local Chinese business group.

The other group to lose out would seem to be the military, who have long worked closely with their Chinese financiers or *cukongs* in the indirect China trade through middlemen in Hong Kong and Macao.

Another intriguing question is what will the Jakarta authorities do with the former Chinese Embassy, a building of noted historic and architectural interest but which is currently earmarked for development as a multi-storey car park.

S Koreans clash with US troops

SOUTH KOREAN dissidents trying to reach the border yesterday for talks with North Koreans wrestled with US soldiers guarding the top-security demilitarised zone, witnesses said, Renters reports from Seoul.

Both the US military and embassy declined to discuss the potentially explosive incident, which followed months of dissident protests against American troops stationed in South Korea.

The three dissidents, heading towards the border to prepare for unofficial "reunification talks" today which have been banned by the Seoul Government, charged at the US guard post at the southern end of Freedom Bridge which leads to Panmunjom, the village marking the truce between the two countries after their war from 1950 to 1953.

The dissidents reached the first of two high metal gates but American guards managed to close the second after a struggle, the witnesses said.

Election of Malaysian king may run into upset

By Wong Sulong in Kuala Lumpur

MALAYSIA'S nine hereditary Malay sultans are to meet in Kuala Lumpur today and tomorrow to elect a new king from among themselves, a process that is being watched with keen interest by political observers, not only because of the recent higher profile of the job, bnt also because there is a real possibility of an upset.

Under the country's unique constitutional arrangements, the office of the Yang Di-Pertuan Agong, or king, is rotated every five years among tba nine sultans. Traditionally, the Malaysian king performs a largely ceremonial role, very much like the British monarch, but of late the position has assumed political importance because of bitter infighting among Malay leaders.

Going by tradition, 57-year old Azlan Shah, the sultan of Perak, should be the next king, since only Perak among the nine Malay states, has yet to serve the kingship. Azlan Shah is also the most distinguished among the rulers, having served as Lord President of the Supreme Court before assuming the royal title. However, there are political and personal factors at work that could deny him the election.

The Perak ruler is married to a commoner, and it is said some sultans are ratber unhappy at the prospect she would be taking precedence over them. Another argument is that Azlan Shah's predecessor had declined the kingship when offered to him, and therefore Parak had, by choice, given up its priority rights.

But most important, Azlan Shah is known to be an independent-minded ruler, who will not as readily agree with the views of Mr Mahathir Mohamad, the Prime Minister, as does the present king, Sultan Mahmood Iskandar of Johore.

The Perak sultan is upset at Mr Mahathir's attacks on the judiciary, particularly the sacking of Tun Salleh Abas, the top judge, and two other senior judges last year.

Hong Kong talks

ZHOU NAN, China's chief negotiator on the 1984 Hong Kong accord, arrived in the British colony yesterday for talks, Reuter reports from Hong Kong.

AMERICAN NEWS

Brady warns of G7 scepticism over deficit cuts

By Anthony Harris in Washington

MR Nicholas Brady, the US Treasury Secretary, told Congress yesterday that the other members of the Group of Seven (G7) industrialised nations were "worried thet we lack the strength of purpose" to meet the targets for reduction of the budget deficit.

He also gave the first clear backing from the Administration for the Federal Reserve's determination to check inflation, although he added that there could still be disagreements about how much inflation there was currently in the economy.

Meanwhile Mr Alan Greenspan, the Fed chairman, said that only a credible two-year deficit reduction plan, including the difficult problem of fiscal 1991, would create the market confidence which could bring down long-term real interest rates. "Prompt and sustained action is becoming increasingly urgent," he told the Senate budget committee.

Mr Brady, who was appearing before the House budget committee, warned that delay on the budget would impose penalties in terms of interest rates, jobs, and the domestic and foreign debt problems. But be implicitly ruled out tax increases to close the budget gap.

"We are constrained between revenue levels which are the result of the 1988 election. . . and the Gramm-Rndman maximum deficit level," he said. The committee chairman, Mr Leon Panatta, a Democrat, added that "we could still end up with a deficit that substantially exceeds the target if our economic assumptions are too optimistic".

Mr Greenspan repeated the view he has stated in recent hearings that the US economy is currently expanding at a rate "which cannot be sustained" and warned that "interest rates will rise until excess demand is crowded out". He said that a rise in inflation would further threaten the budget balance.

Any increase which became embedded in expectations would rise long-term rates and each 1 per cent rise would add 10 per cent to the cost of Federal debt service, he said.

The revised figures for GNP in the final quarter of 1988, issned yesterday, reinforce warnings about inflation. Real growth is shown unchanged at an annual rate of 2 per cent – 3.1 per cent for the non-farm economy – almost exactly in line with the third quarter.

Janet Bush adds: US markets weathered ths GNP figures well. At midsession, the Treasury's benchmark long bond was quoted ¼ point higher to yield 9.13 per cent. The Dow Jones Industrial Average stood 6.07 points higher at 2,256.43.

The dollar traded in a narrow range just above its day's lows.

Venezuela joins the crisis economies

Joe Mann looks at the background to widespread violence in the country

FOR many years Venezuela's hnge income from petroleum exports allowed it to avoid most of the harsh economic realities afflicting its Latin American and Caribbean neighbours.

But the current wave of violence in Caracas and other big cities, sparked by sharp price increases in public transport, has erased this distinction and raised qnestions about how Venezuela's new government will deal with the need to implement severe economic reforms in the face of widespread popular rejection.

Complicating matters for the Government are politically embarrassing shortages of items such as bread, coffee, and salt, as well as protest strikes caused by hig price increases for food and other basic items and services.

Successive Venezuelan governments were able to avoid serious disturbances by throwing money at any problem in sight. But this is no longer possible. Although Venezuela earned $8.4bn in 1988 from petroleum sales (81 per cent of total exports) the country's room for manoeuvre has been drastically reduced. The authorities are now obliged to husband oil revenues to service the $33bn foreign debt, as well as to pay for imports and finance a huge government bureaucracy.

The new government of President Carlos Andrés Pérez, which began a five-year term on February 2, inherited a raft of economic prohlems. The extent to which Venezuela ended 1988 with its external accounts in the red and its international reserves sharply reduced was probably more serious than the new administration initially realised.

Price rises in petrol and public transport provoke the burning of a bus in Caracas

The economy grew by 4. 2 per cent last year, but the Government registered a fiscal deficit equal to 7 per cent of Gross Domestic Product. Inflation was by Venezuelan standards exceptionally high at 35 per cent. Growth last year was driven primarily by consumer fears of higher inflation. Wages meanwhile, if measured in dollar terms, have fallen to levels in effect over two decades ago.

Venezuela still depends almost exclusively on petroleum for its economic livelihood. Although some foreign companies have made important investments in recent years in such sectors as aluminium, confidence among Venezuelan investors remains very low. As evidence of this, Venezuelan private citizens are believed to be holding over $30bn offshore, a sum equal to three years' exports and the nation's foreign debt.

President Pérez, a 66-year-old Social Democrat, formally announced a new economic programme on February 16. The plan, which includes several of the usual International Monetary Fund prescriptions, was designed to pnt the nation's domestic and external accounts in balance, reduce government interference in the economy and encourage private investment, especially in non-petroleum exports and import substitution.

The programme includes the establishment of a unified, floating exchange rate for the Venezuelan bolivar (which amounts to a major devaluation); a progressive easing of government controls on domestic interest rates and on prices of goods and services; a commitment to reduce the Government's fiscal deficit; higher prices for goods and services provided by the public sector; and reforms of tariffs, trade regulations and the tax system.

At the same time, however, Mr Peréz announced wage and social welfare initiatives. These included a rise of up to 30 per cent in wages of government employees, an increase in the national minimum wage and a number of direct subsidies. Mr Peréz also said that the private sector would "voluntarily" raise wages for its workers by roughly the same amount awarded to state employees.

On the country's foreign debt, the Government is aiming to reduce the burden of debt service by around 50 per cent in new restructuring talks with international banks. By following an IMF-style economic adjustment plan, it hopes to obtain credits of more than $10bn over the next five years from the IMF and the World Bank. It also needs new financing from commercial banks.

Some elements of the economic programme – an 80 per cent increase in the price of domestic petrol, higher prices for public transportation and foodstuffs, and new interest rates on domestic loans and deposits – have already been implemented. But several important measures are still undefined.

For example, the Government announced a unification of the existing two-tier exchange rate for its currency but this has not yet been carried out. This is the first time in memory that a government has announced a currency devaluation before actually implementing it.

Until violence erupted this week, the Government's economic programme faced nothing more challenging than criticism from ths political opposition and organised labour. The nation's largest labour federation, the CTV, has rejected the Govsrnment's wage increase plan and is demanding a general wage increase of 40 per cent 50 per cent. Now, however, it is not clear how unions will behave in the wake of this weeks's violence, since some transport workers and cooperatives were the targets of violent attacks during disturbances on Monday.

The Peréz administration is moving slowly to implement its economic programme, partly because it wants to avoid a severe shock effect and partly because the prohlems are harder to handle than anyone expected. But the new element of a popular revolt over price increases has confirmed Venezuelan politicians' worst nightmares about IMF-style reforms and will sorely test the Government's commitment to continne implementing the most severe measures.

US allies warmer, but no wiser

THE MOST revealing moment of President George Bush's six-day tour to the Far East came on Sunday in Peking when he was greeted in an anteroom of the Great Hall of the People by Deng Xiaoping and Li Xiannian. These two veterans of the Long March and pillars of the revolution greeted the leader of the world's largest capitalist state as an old personal friend – as he is.

Not only did this provide striking pictures – the tall Mr Bush and the tiny gnome-like Deng – but it symbolised the purpose of Mr Bush's visit. It was primarily an exercise in consolidation, to cement existing close relations with Japan, China and South Korea, rather than to press initiatives.

Indeed, China has been specifically excluded from the current wide-ranging review by the Bush Administration of its foreign policy. This is because Mr Bush says the US knows where it stands in relation to China – in theory, if not always in practice, as the human rights fracas showed.

Bush's Asia trip cemented old friendships but achieved little more, writes Peter Riddell

As Mr Bush said on his return to Washington on Monday, the trip underscored that "America is and will remain a Pacific power". His repeated message was that Asia and the Pacific Rim countries in particular are of growing importance to the US. For instance, Mr Bush's decision to attend the late Emperor of Japan's funeral ceremonies was a mark of respect which his hosts appreciated.

The President wanted to provide this commitment to Asia not least because of the renewed Soviet interest in the region and the visit to China in May by Soviet President Mikhail Gorbachev. The Bush Administration is relaxed about the warming in Sino/Soviet relations, believing that there is no chance of a return to the pre-split dependency relationship of 30 years ago. China values its independence too much now.

This emphasis on friendship and close ties, expressed in virtually every speech, led Mr Bush to play down points of difference. But the President's desire for quiet diplomacy led to his appearing less than whole-hearted in his commitment to human rights – to the irritation of conservative Repnblicans – especially when Mr Fang Lizhi, a prominent dissident was barred from a US Embassy party and duly told his story to the White House press corps. The Chinese sensitivity on this point was clear throughout the visit.

About the only area of difficulty which Mr Bush raised with his various hosts was trade. He pressed the Chinese about freeing rules on investment and about copyright and patent protection, and on Monday made a particular point of urging a further reduction in trade barriers in his speech to the South Korean assembly. Indeed, Mr Bush departed from his set text to emphasise this point.

Yet if the visit was long on general expressions of warmth, it passed over many questions of how the financially constrained US intends to maintain its role as a Pacific power and how Japan will exercise its economic strength. A novel twist on the working funeral theme was the number of mourners who came with a begging bowl to seek financial help from Japan, including Brazil, Zaire and the Philippines.

If the trip was short of much new of substance, Mr Bush's style was revealing. It was an exercise in jet-lag diplomacy with meetings packed in one after another and three or four hours sleep at night for all involved.

This inevitably leads to slip-ups, as in the handling of human rights and in some of the President's public comments. In contrast with the more leisurely approach of former President Ronald Reagan, the pace was hectic, more like one of Mrs Margaret Thatcher's foreign tours – exhilirating and fun while it lasts, but with the danger of leaving little to remember apart from favourable images. And Mr Bush is not as good as either Mr Reagan or Mrs Thatcher in producing images.

Overall, following the charge round Europe two weeks ago by Mr James Baker, the Secretary of State, the Bush Administration no doubt feels it has made contact with most of its allies and friends, but it has not left many of them any the wiser about what it intends to do.

Garcia focuses on anti-terrorism

By Veronica Baruffati in Lima

WITH 17 months left to polish up his presidential image, Alan Garcia at the weekend announced his fourth cabinet reshuffls since the Peruvian American Popular Revolutionary Alliance (APRA) swept to power in July 1985. The new ministers are due to be sworn in tomorrow.

The reshuffle is mainly designed to provide a more cohesive team and a more effective policy to combat terrorism. President Garcia underlined this saying a tougher fight against subversion was necessary "because of the death and violence subversion sows, because of the climate of insecurity which shoos off investors, and because of the public, visible, brazen alliance snbversion has with the drugs trade".

The nomination of Mr Armando Villanueva del Campo, the Prime Minister, to assume s dual role as Minister of Interior will be the centrepiece of the Government's new strategy. Mr Villanauva del Campo is known for his outspoken anti-terrorist views. Last year, he was severely criticised for a speech he delivered in Ayacncho, cradle of the maoist guerrilla organisation Sendero Luminoso, in which he talked about the dangers of "rivers of blood " flowing if subversion was not curbed.

Since Sendero Luminoso began its offensive in 1980 more than 15,000 lives have been lost and incalulable damage done to Peru's debt-ridden and impoverished economy.

The nomination of Mr Carlos Raffo, the Peruvian ambassador to the UK, as Minister of Industry, has been interpreted as an attempt by the APRA government to bring about a reconciliation with Peruvian industrialists. His family controlled the Banco de Credito, the principal private bank nationalised in 1987.

Mr Guillermo Larco Cox, who was Prime Minister at the time of the bank nationalisations, has been appointed to replace Mr Luis Gonzales Posada at the Foreign Ministry. Mr Antenor Orrego, the son of a famous APRA philosopher and writer, will replace Mr Luis Bedoya Velez at the Ministry of Housing.

Putting airliners on a rejuvenation course

Michael Donne reports on efforts to ensure that aircraft fly safely into old age

EFFORTS to reassure the world's 1bn scheduled air travellers every year that their airliners are safe, no matter how old they may be, are building up in the US and will swiftly spill over to western Europe and elsewhere.

Yesterday in the US, the Air Transport Association, representing the US airlines, unveiled recommendations to the Federal Aviation Administration, the civil aviation regulatory agency, for the progressive modification of all jet airliners once they reach a certain age – about 20 years of service.

The FAA will now consider those proposals and make a formal "request for proposals" for new rule-making, with a view to making mandatory in law the Air Transport Association's ideas.

Whatever the FAA decides to do will almost certainly be followed by the UK Civil Aviation Authority and other aviation regulatory bodies.

The proposals are not a panic reaction to last week's incident over the Pacific, when soms passengers were sucked out of a United Air Lines Jumbo soon after taking off from Honolulu when a hole was ripped in the aircraft's side – possibly as a result of a faulty cargo door lock.

Rather, it is the result of a long-running, detailed study into the problem of ageing jets which has been worrying the airline and jet manufacturing industries for some time.

Boeing, the world's biggest manufacturer of jet airliners, says that out of a total world fleet of 7,400 aircraft about 3,500, or about half, are over 12 years of age and that nearly 1,000 are over 20 years old and still flying.

It believes that most of those aircraft are quite safe. But, as Boeing points out, since they were first built in the 1950s, 1960s and early 1970s, technology has moved on. Depending on where those aircraft have been flown – for example, in salty, corrosive areas like the Pacific – and how they have been flown, such as in extensive short-haul flights requiring many take-offs and landings and by different pilots, some may well be needing significantly more maintenance or modernisation than existing laws require.

Last summer, the FAA together with the airlines and the jet manufacturers held a conference in Washington to discuss the prohlem. Representatives of the Civil Aviation Authority and the world airline group, the International Air Transport Association, as well as the International Civil Aviation Organisation, the UN aviation technical agency, attended.

It was agreed that task forces should be set up to study geriatric jets and see what needed to be done to keep them flying safely.

Boeing, in conjunction with United Air Lines of the US, looked at early-model 727s, 737s and 747s. Douglas, with American Airlines, looked at DC-8s, DC-9s and DC-10s. Delta Air Lines with the relevant manufacturers and the airlines using such aircraft, looked at Airbus A-300s, British One-Elevens, Convair CV-580s, Fokker F-28s and Lockheed Tristars.

Boeing has been the first of such task forces to report, covering by the end of last year some 72 aircraft (six 707s, 31 727s, 21 737s and 14 747s), and finding all but about three of them (5 per cent) up to existing airworthiness standards. The other task forces have still to report.

Nevertheless, the Boeing task force has made a number of recommendations for modifications to the ageing aeroplanes of the types it studied, ranging from changing bolts and rivets through to renewing larger parts of the aircraft structures. In all, it recomended 70 specific modifications to all elderly 727s, over 50 for the older 737s and 40 for the early model 747 Jumbos.

It points out, however, that many of its recommendations have already been implemented by many airlines including British Airways.

Nevertheless, because of the advances in technology since the aircraft were built, Boeing believes that all owners of such older jets should be compelled to make the modifications, by law through their relevant regulatory authorities if necessary.

Moreover, Boeing believes, and the other manufacturers are expected to concur, that even though many of the modifications may prove to be expensive they will extend the economic lives of the aircraft beyond the existing limits.

Progressively, however, it is recognised that the older any airliner gets, the more modifications it will eventually require, until it reaches the point where it is no longer worth undertaking them and the aircraft must go for scrap. It accepts that fixing such a point in any aircraft's lifs will be difficult.

Boeing stresses that the work of the task forces will not end with the recommendations now being made. They will go on for years, so that even as today's new-generation jets, such as 757s and 767s, become older, they will be subjected to the same stringent regime of checking and modification until they, too, are fit only for the scrap heap.

Karen Zagor in New York and **George Graham** in Paris examine radically different approaches to the book market

High rents and low brow tax US bookshops

AMID the bright lights and bustls of Fifth Avenue, the darkened windows of the Scribner Book Store cast a pall. The Scribner name still graces the door of this lovely Beaux Arts store front with its fluted iron grillework and high arched windows. But New York's most civilized book store is no more – forced out of its home of 75 years by the combined forces of soaring rent and the traditional small profits of the book trade.

Scribners is not the only store to founder in the tough conditions of the book market. "The problems of the independent bookseller today began shortly after the Guttenberg Bible was printed," says Mr Ed Morrow, president of the American Bcoksellers Association. Chaos has dominated the arrangements between publisher and bookseller since then, he added.

Although this is undoubtedly true, the past two decades have been especially unkind to independent booksellers in the US. Having weathered the storm of chain store proliferation and the massive discounting that inevitably followed, the surviving independents are now confronted by a new threat in the steep costs of rents and other overheads.

The position has been made worse by a pricing system which permits publishers to set maximum retail prices. This means a bookstore in a high-rent area such as Greenwich Village can charge no more than one in a low-rent area such as the South Bronx.

In the light of this, and the heavy costs involved in dealing with the publishing industry's notoriously fragmented universe of suppliers, it is somewhat surprising to learn that the number of independents is increasing.

Of the 81,161 book stores in the US in 1988, 21,808 or 27 per cent, were independently run and 67,095 were chain branches, according to the American Book Trade Directory for 1988-1989. This compares with 14,489 independent hook stores in the 1985-1986 directory.

This testifies to the character of the independents who have shown the adaptability, tenacity and resilience of cockroaches. They have heen helped, too, by the antiseptic atmosphere of the average chain store, which is anathema to the discerning book buyer.

"The chains are helpful because they give such bad service that people go to independents to be treated well," says Ms Lennie Galay, who owns the Corner Book Store, a small independent on Madison Avenue. Ms Galay, it should be noted, has the good fortune to own the property. "I don't think we could survive if we didn't own the building," she said.

Location can also help. On the Sunset Strip in Los Angeles, Book Soup's business has been augmented by the spill-over from neighbouring Tower Records and by star-watchers gazing at the celebrities who drop in after dining at nearby Spago, one of LA's most chic restaurants.

The principle weapon in the independent's armoury, however, has been that of specialisation. In recent years stores specialising in everything from the military to the mystical have sprung up, luring readers with an interest in these areas away from the chains.

Children's bookstores have been a good sub-sector for independents. Today there are some 275 bookshops that cater to the juvenile market. In 1986 there were 215, up from 141 in 1982 and 94 in 1977, according to the American Book Trade Directory.

A book store such as Eeyore's, which has sold children's books in Manhattan for the last 14 years, also keeps its head above water by sponsoring special events.

Of course, the chains are not immune to high rents, especially since many first opened in new shopping malls where the initial leases were favourable. Rents have risen steeply as the malls have become more successful.

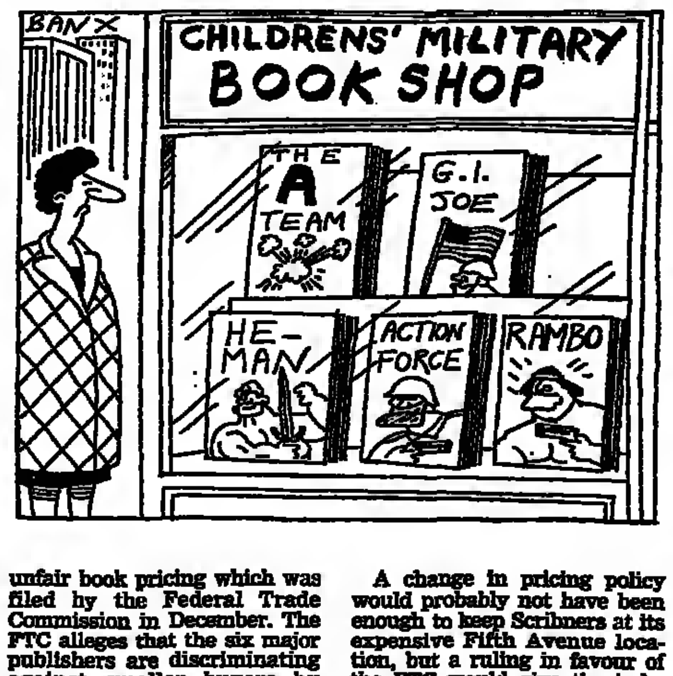
This appears to have helped put the brakes on discounting, which has also worked in favour of the independents.

Indeed, discounting may prove to be the nemesis of the chains. Many industry observers believe that it contributed to the downfall of the B. Dalton chain, which was sold to Barnes & Noble in 1986 after profits dropped sharply. B. Dalton had been one of the industry's leading discounters.

As in retailing in general, the chains have taken a string from the independent's bow and are now specialising. Waldenbooks, a subsidiary of K mart, introduced Waldenkids stores in 1987. The initial plan was to expand at a rate of about 40 nsw Waldenkids stores a year, according to press reports. However, only 28 Waldenkids had opened by the end of 1988 and none is planned for 1989, the company said.

Another possible boost for the independents is the pending decision on a complaint of unfair book pricing which was filed by the Federal Trade Commission in December. The FTC alleges that the six major publishers are discriminating against smaller buyers by attaching pricing and other benefits to volume of purchase. The hearing will be on April 6.

A change in pricing policy would probably not have been enough to keep Scribners at its expensive Fifth Avenue location, but a ruling in favour of the FTC would give the independents further hope for survival in this competitive market.



French law defends literary quality against the price of competition

SIX YEARS after a law banned book discounting, France's largest bookseller has not abandoned its fight to end price regulation.

But the FNAC, which sells 13m books a year, half of them in its two giant Paris stores, has made little headway against a united front of publishers, independent booksellers and government officials.

With the return last year to the culture ministry of Mr Jack Lang, author of the 1982 law which imposed s single price for books with discounts not permitted to exceed 5 per cent, the chances of a change in policy appear slim.

Unlike the UK or West Germany, whose book pricing systems are based on decades-old private agreements going back 101 years and 87 years respectively, the French system has the force of law. It has passed the inspection of the European Commission to Brussels, which is one of the main opponents of the UK's net price agreement.

In the 1970s, French publishers used a recommended price mechanism, with discounts allowed to the booksellers according to the volumes they ordered. Only a few retailers, such as the FNAC, chose to pass on part of this discount to their customers.

In 1979, a government decree ended recommended prices. For three years, publishers sold their books at a net price, and it was up to the retailer to add a margin. It was this system which was ended by the Lang law of 1982.

A review carried out in 1987 by Mr Patrice Cahart, director of the French mint but also a novelist in his spare time, argued against changing the law, in spite of the free market preferences of the new right-wing culture minister, Mr Francois Leotard.

"The law is the only means of maintaining a nationwide network of bookshops. It is the only way to ensure that literary works are not pushed up to prices where they will never sell, while the bestsellers are discounted," argues the head of one independent publishing house.

Mr Jean-Paul Caumont, director of book products at FNAC, disagrees. In 1982 FNAC, which had been discounting by a uniform 20 per cent, saw its volumes plunge but its margins increase as it was obliged by the Lang law to reduce its discount to 5 per cent.

"I have never understood why competition should be a good thing everywhere except for books. Is it normal for our book customers to subsidise our record customers?" he asks.

Mr Caumont notes that since 1982 book prices have risen 12 percentage points more than the Insee general consumer price index, although book prices also outstripped the general index in the years of net pricing. He also notes that book clubs, especially the market leader France Loisirs, half-owned by Bertelsmann, have gained ground rapidly since 1982. They can discount, and produce only bestsellers, he says.

The French publishing industry produced 30,982 titles in 1987, the latest year for which statistics are available, including 13,530 new titles and 3,133 new editions, as well as 14,319 reprints. Production totalled 366m volumes, slightly up on the previous year, though some booksellers estimate that 25 per cent of the books they receivs are returned unsold to pnblishers. The Cahart report suggested some 50m to 55m volumes are pulped each year.

Official statistics suggest there are 20,000 book retail outlets in France, but publishers say the real total of regular outlets is closer to 4,000, with 1,200 real bookshops. Only some 30 bookshops sell more than FFr10m (£1m) of books a year.

But half the country's bookshops are in Paris, and half the country's sales of new titles and works categorised as of "intellectual" interest are recorded in only four Paris districts: the 5th, eth and 7th arrondisements, forming the Left Bank, and the opulent 16th.

In these districts, as in central Lyon or Marseills, there is one bookshop for every 1,200 to 1,700 inhabitants, while in lower income urban areas each bookshop serves an estimated 90,000 to 100,000 inhabitants.

WORLD TRADE NEWS

Sony to open its first plant in Italy this month

By Alan Friedman in Milan

SONY of Japan is to open its first manufacturing plant in Italy this month, in a move aimed at expanding its production facilities in Europe.

The plant, to be located at Rovereto in the Trento region of Northern Italy, will manufacture up to 48m cassette tapes a year, mainly for export, when it is fully operative in about a year.

Sony has spent around L30bn (£12.6m) investing in the new plant at Rovereto, which in turn has created 140 new jobs. The new 6,000-square metre plant will complement the cassette manufacturing activities of Sony's plant at Bayonne in France, where around 60m cassettes are produced annually.

It is expected that 80 per cent of the output from Sony's Italian plant will be exported from Italy. Most of the cassettes will be sold to European markets, but a portion of specially-designed "Made in Italy" Sony tapes are likely also to be sold back into Japan.

Sony at present enjoys annual revenues of around L500bn from Italy, where it distributes televisions, videorecorders, compact discs and recorders and Walkmans.

The Milan-based Sony Italia has a staff of 220, and markets its products by way of a network of 130 wholesale agents. Sony claims roughly 10 per cent of the Italian market in consumer electronics, making it the second biggest company after Philips.

Initial production at Rovereto is likely to be at the rate of 2m tapes a month, rising to 4m by the middle of 1990. Elsewherein Europe, Sony already has plants in the UK, West Germany, France and Spain.

Four consortia to compete for HK cable TV franchise

By Michael Marray in Hong Kong

FOUR consortia are chasing the franchise to build and operate a HK$4bn (£289m) cable television network in Hong Kong.

The two leading contenders are Sir Y. K. Pao's Wharf Holdings in alliance with the American telecommunications giant US West, and Mr Li Kashing's Hntchison Telecommnnications, allied with British Telecom and a group of major Hong Kong property developers, incinding Henderson Land and New World Development.

The Wharf consortium is owned 28 per cent by Wharf itself, 27 per cent by Sun Hung Kai Properties, 10 per cent by the film mogul Sir Run Run Shaw's Shaw Brothers, 25 per cent by US West, and 10 per cent by the Belgian cable TV operators Coditel. Paramount Pictures will advise the consortium, known as Hong Kong Cable Communications.

Its rival, Hutchison CableVision, includes Hutchison Telecommunications and its affiliate Cavendish International, British Telecom, Swire Pacific, China International Trust and Investment Corporation, and the Hongkong Bank. American Telephone and Telegraph and Japan's Kokusai Denshin Denwa are acting as technical advisers, while Viacom International of the US and Canada's Rogers Cablesystems will help on programming.

Two other consortia are bidding. One is Sun Hung Kai and Company, with property developers New World Development, Hendarson Land and Hang Lung Development, and local businessman Mr Dickson Poon. The other is Supertech International Resources.

The government has promised a decision by September 1, with the first cable programmes dne in 1991. Hong Kong Telecommunications, the subsidiary of Cable and Wireless, which has a monopoly on telecommunications services in Hong Kong, has not been allowed to bid

EC accepts price pledge by Far East VCR makers

By William Dawkins in Brussels

THE European Community has accepted price undertakings from four out of five South Korean and Japanese video cassette recorder (VCR) producers found to be exporting to the EC at unfairly low prices, but imposed definitive dumping duties on the fifth.

Samsung Electronic, Goldstar Electric and Daewoo Electronics, which together represent all of South Korea's VCR industry, and Funai of Japan promised to raise their EC prices in place of paying punitive levies.

The fifth company involved, Orion of Japan, has elected instead to pay definitive duties of 13 per cent, down from the existing provisional rate of 18 per cent imposed on it last year. Both kinds of penalty will have the same effect of increasing prices to the consumer in the EC's $2bn (£1.1bn) market for VCRs.

The European Commission set provisional levies of between 18 and 29.2 per cent on the Far Eastern companies' EC sales last September, in response to main European competitors' claims that they were pricing their machines below normal value.

The decrease is a result of extra evidence gathered over the past few months. Definitive duties are paid in cash on frontiers, while exporters merely have to take out bank guarantees to cover provisional levies.

The size of price undertakings are usually kept secret, though they are designed to have the same impact on the exporters' margins as the anti-dumping dnties that would have otherwise applied. The definitive levies in this case would have been 23.7 per cent for the three Sonth Koreans and 13 per cent for Orion of Japan, all lower than the provisional levies.

The move ends one of the EC's most controversial dumping cases. Consumers' groups have accused Brussels of helping unnecessarily to drive up prices in the fast growing Community market for VCRs, as have the several European companies which import Far Eastern machines to resell under their own names.

Refugee furrier re-fashions links with East

Judy Dempsey on an exiled Czechoslovak's retail joint venture in Budapest

AN OLD Czechoslovak family which once had a small fur shop in Prague but moved to Vienna after the communist takeover in 1948, is reviving old contacts with Eastern Europe by setting up a joint venture in Budapest.

Setting up a retail fur business in Budapest may seem an unlikely venture, but for the Liska family, especially for the founder of the business, Mr Michael Liska, old roots remain firm.

Mr Liska (the name means fox in Czech) had few intentions of returning to this part of Europe. Born in 1915, in a small village in the Carpathians, he joined the army and was a staunch supporter of Thomas Masaryk, the first president of Czechoslovakia. Later, he worked on the roads, made his way to Budapest and avoided being sent to Auschwitz by jumping off one of the deportation trains in Poland.

After the war he settled in Prague where he set up a small fur business. But by 1948, it was time to leave for Vienna. Since then, the Liska fur company has grown from strength to strength.

Mr Robert Liska, Michael's son, who also runs the business, says: "In the early days, my father did a lot of wholesale business. He used to travel throughout the provinces. Then, he had two seamstresses, one furrier and one cutter." But the early years were difficult: before the war there were 2,000 furriers; by 1945 there were 140.

"For one thing, the Russians were here until 1955, so it was hard to to obtain import and export licences," he says. Also, when Austria regained its independence, the competition became sharper.

The only way to survive was by changing the profile of the business. Mrs Edith Liska, Michael's wife, began taking a keen interest in design.

"I well remember ladies coming into the shop wanting to buy an Astrakhan coat for a funeral," says Robert. His mother soon changed that. Designers such as Christian Dior were called in to revamp the business, a trend in which the son is now actively involved. Today, the company employs 120 people, and their furs combine traditional warmth with fashionable elegance.

Western elegance has many a follower in Eastern quarters

The bulk of their market is domestic, given the climate and the attitudes of Austrians towards luxury goods: Austria has the highest number of Mercedes and furs per capita in the world.

But increasingly the company has its eye on exports. About 20 per cent of its annual turnover of Sch115m (£5m) consists of exports, mostly to the US and Europe. But Robert Liska reckons that despite over-production and fiercer competition in the trade, exports could increase, especially to Japan and Spain, largely untapped markets.

While son looks more and more to the West, father has been looking back towards the East, in particular to Hungary.

The idea of setting up a joint venture in Budapest began in the early 1980s. After some soundings, a company, called Imperial Furs, was set up in Budapest four years ago.

"We did it for several reasons," says Robert Liska. "Partly for some nostalgic notion and partly to get a foothold in Hungary." Liska put up 39 per cent of the Forint 100m (about £1m) capital, Agrobank, a Hungarian bank, 11 per cent and the rest was provided by the Bos Co-operative in Hungary. The venture now employs 46 people.

The little shop in Semmelweis Street in Budapest, which has a staff of 27, is run by Hungarians, including the cutters, the furriers and the seamstresses. The designs and the machinery come from Vienna.

But at a time when living standards are falling and inflation is running at over 17 per cent, who can afford to buy such luxuries as mink coats?

"You would be surprised," says Mrs Judit Szanto, one of the assistants in Budapest. "It is not your banker-type person who comes in here, but more the car mechanics, the owners of the privately-run boutiques and people involved in the 'second economy'."

Annual turnover is now topping about Forints 20m in the Semmelweis shop itself while the combined total turnover, which includes two other shops, exceeds Forints 35m.

Meanwhile, father has his eye on his native Czechoslovakia. The ground is slowly being tested. But both generations believe the time is not yet right.

E Europe policy shift boosts imports from West

By Peter Montagnon, World Trade Editor

EAST European countries significantly increased their imports from the West last year in an apparent shift of trade policy away from controlling import expansion, according to a new report from the Organisation for Economic Co-operation and Development (OECD).

Imports from the West ran at an annual rate of $41.5bn (£23bn) in the first eight months of last year compared with $38.3bn in 1987 with the bulk of the gain accounted for by the Soviet Union.

As a result, trade balances with the West have deteriorated and debt has increased, it says in its regular review of Financial Market Trends.

The increase in imports and debt suggests that most Eastern European countries, with the notable exception of Romania, are now prepared to increase their borrowing to finance economic reform, and in several countries indebtedness can be expected to rise further.

"The policies of economic reform currently in place, even if applied effectively, can at best be expected to result in export gains only in the medium term;

"Meanwhile the demand for imports will be strong in order to sustain investment programmes and to supply the domestic consumer market," the OECD said.

In dollar terms, gross debt of the six East European Comecon countries and the Soviet Union fell slightly last year to $129bn from $131bn in 1987, but this reflects valuation changes due to the appreciation of the dollar, and there was an underlying increase in total debt.

Except for Hungary, Poland and Bulgaria, debt levels in Eastern Europe are moderate and there is room for a controlled increase although market conditions have begun to tighten, the OECD said.

A feature of East-West trade financing was a relativa decline in the share carried by official export credit agencies whose funds have become less attractive with the demise of subsidised interest rates.

The share of officially-backed export credits in Soviet foreign borrowing slipped to about 37 per cent in 1987 from 60 per cent in 1985. Other East European countries have seen a similar movement but it has been less abrupt.

According to the OECD, the combined current account surplus of East European countries was $3.2bn last year, but this includes a substantial $2.2bn surplus notched up by Romania, while the Soviet surplus slipped to $3.1bn from $4bn.

These figures do not, however, reflect the true cash position of the countries concerned since they include sales to developing countries.

These are usually handled on a barter basis but the failure of developing countries to balance this trade has resulted in a net extension of credit to them by the East bloc, an issue which is becoming increasingly problematic.

Among individual countries Bulgaria recorded a sharp $250m increase to $1.3bn in its current account deficit last year while its net debt jumped to $6.4bn from $5.3bn.

"Bulgaria and Hungary now appear to be in positions where financing needs are such that a loss of confidence which severely constrained the capacity to continue borrowing could lead to a liquidity crisis," it said.

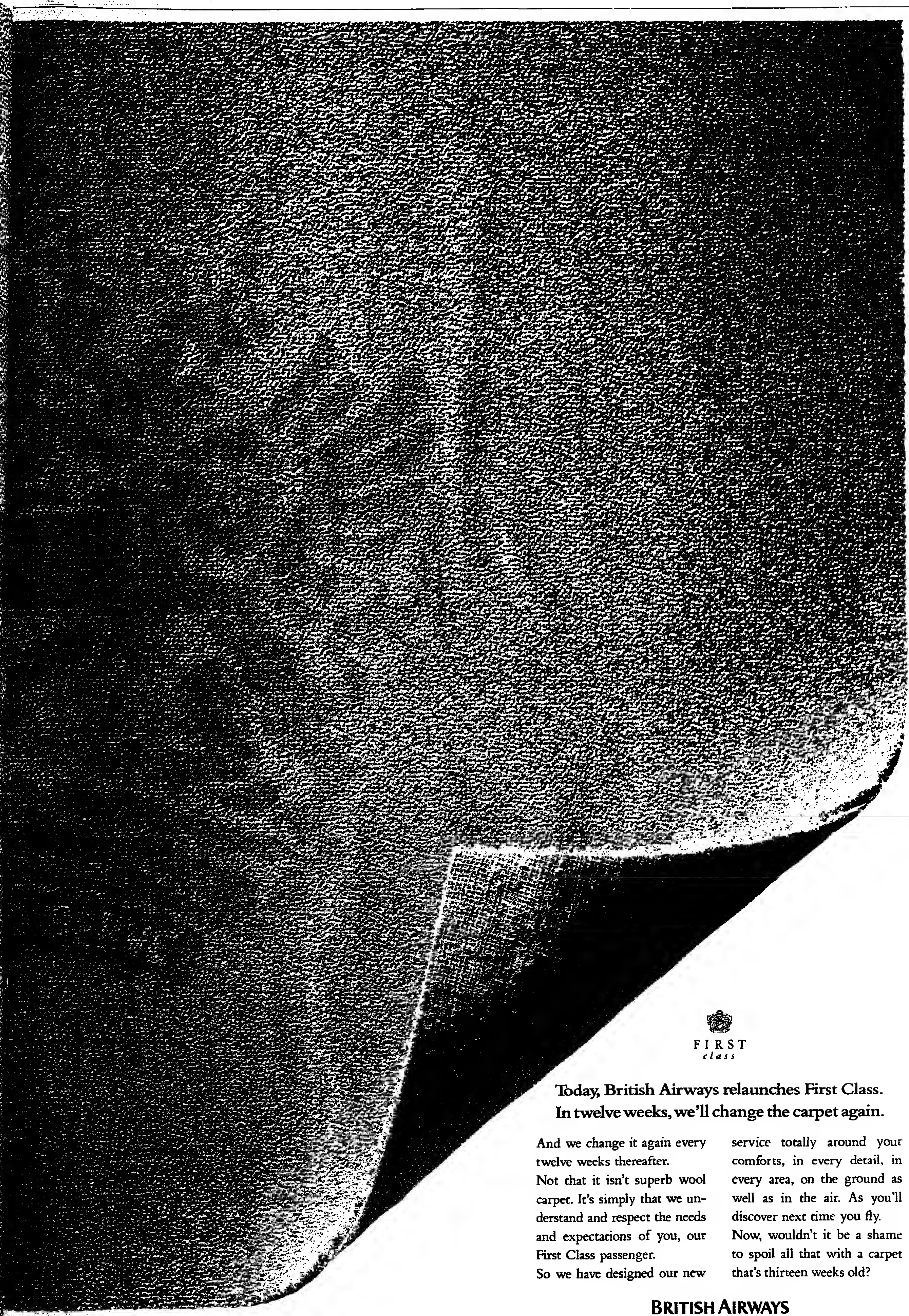
Czechoslovakia seems likely to slip into this position as well, although its vulnerability at present is small. The Soviet Union and East Germany still have very high levels of reserves.

"Assuming that current balances remain weak in the future and that significant amounts of debt will have to be rolled over each year, borrowing requirements of all countries will grow heavier and it will be increasingly critical to maintain the confidence of international creditors."

The OECD noted that borrowing conditions for Eastern European countries began to tighten in late 1987, a factor which may have encouraged them to reduce their reliance on openly syndicated credits in favour of more discreet bank-to-bank borrowings and specialist "*à forfait*" trade finance.

Tighter conditions in commercial markets may in future lead to a better balance between the share of finance provided by private lenders and that carrying an official export credit agency guarantee, it suggested.

٦/٣١
٦/٢٨



FIRST
class

**Today, British Airways relaunches First Class.
In twelve weeks, we'll change the carpet again.**

And we change it again every twelve weeks thereafter.

Not that it isn't superb wool carpet. It's simply that we understand and respect the needs and expectations of you, our First Class passenger.

So we have designed our new service totally around your comforts, in every detail, in every area, on the ground as well as in the air. As you'll discover next time you fly.

Now, wouldn't it be a shame to spoil all that with a carpet that's thirteen weeks old?

BRITISH AIRWAYS
The world's favourite airline.

Minister vetoes London council's swap payments

By Norma Cohen

HAMMERSMITH and Fulham, the west London council is to withhold several million pounds due to banks under interest rate swap and options contracts after Mr Nicholas Ridley, Environment Secretary, refused to sanction the payments.

His decision yesterday means councillors could be personally liable for surcharges if the payments were made.

The Labour-controlled council's decision in turn is expected to mean that local authorities will have to pay more to borrow money. The Bank of England has told the Environment Department it expects a "disturbance" in the market for local authority debt.

Many local authorities engage in swap contracts – in which two borrowers agree to pay the interest on each other's loans, usually resulting in lower interest costs to both because each can take advantage of lending anomalies.

Through the Public Works Loan Board, councils have access to fixed rate borrowings at low rates which can be swapped to lower cost floating rate funds.

Some councils have, however, become traders in swaps, arranging exchanges of interest payments on notional loans even when no funds have been borrowed. Hammersmith has been especially prominent in this business.

Last summer, the Environment Department warned councils that trading in swaps and options contracts might be outside councils' powers.

Hammersmith's auditors, Deloitte, Haskins & Sells, and some of the parties to the deals began questioning the nature and volume of the contracts in July, and the council began to wind down its positions.

It also issued warranties to counterparties assuring them it had authority to enter into swap and options contract under local authority law. Those were given after after legal consultation.

On Friday, at Deloitte's request, the council asked the Environment Department to sanction 12 payments totalling about £2.3m due under swap and options contracts between February 22 and March 6. The DoE was also asked to sanction the receipt of about £650,000 due under swap and options contracts.

Mr Ridley yesterday declined to release the councillors from the possibility of penalties. Citing the Local Government Finance Act of 1982, he said: "In the light of the information available to me and having regard to all the circumstances, including the scale, nature and possible consequences, I have decided that it would not be appropriate for me to sanction these payments and receipts."

The swap deals have been made with a number of banks. Because these counterparties are widely spread, the Bank of England has told senior government officials no individual bank will suffer serious damage and there is therefore little systemic risk to the system.

The council said the contracts had resulted in no losses to ratepayers in the 1988-89 fiscal year. It had ample funds, kept in segregated bank accounts, to make the payments.

The council's decision to withold the payments could trigger so-called cross-default clauses in other loans, with lenders declaring those loans in default and immediately payable. That would place the borough in precarious financial straits.

Water price rise 'due to cost of sell-off'

By Richard Evans

A statutory water company which is increasing its charges by 42 per cent has blamed half the increase on the additional costs triggered by the privatisation of the water authorities.

To the political embarrassment of Government ministers, West Kent Water Company has told its 140,000 customers in Sevenoaks, Tonbridge and Tunbridge Wells that 21p of the proposed increase from April 1 is "to meet privatisation requirements." Only 4p of the rise is to meet maintenance costs and European Community directives on water quality.

Mr Nicholas Ridley, Environment Secretary and Mr Michael Howard, Water Minister responsible for shepherding the privatisation through parliament, have been fighting an acrimonious running battle with the 29 statutory companies, which are already in the private sector, over their planned price increases of up to 50 per cent.

The ministers have argued that the sharp rises cannot be blamed on privatisation of the 10 regional water authorities, and should be reduced to single figure increases.

But the companies, which supply a quarter of all households in England and Wales, insist that a big rise is necessary to help finance their capital requirements and to prepare them for the new regulatory regime that privatisation will bring.

Mr Jack Cunningham, opposition Labour party spokesman on the environment, disclosed the West Kent decision to an embarrassed Mr Howard during the committee stage of the Water Bill in the House of Commons yesterday, after receiving copies of the bills from company customers.

"This makes it clear that the huge increase, this taxing of the water consumer, has nothing to do with combatting environmental pollution but everything to do with privatisation," he said.

Mr Michael Streeter, managing director of both West Kent and Mid Sussex Water Companies, said the additional burden from privatisation came partly from the costs of employing engineering consultants, accountants and merchant bankers to prepare for the new regulatory regime.

The rest was to increase revenue to pay for improvements, which under the current regime would be financed from borrowing. Heavy borrowing would be impossible when the companies became public companies.

"The board was concerned about having to raise charges by this amount but we can't get away from it," he said. The capital expenditure programme of West Kent, which has a turnover of £5m, has risen from £500,000 in 1987 to a proposed £2.7m in 1989.

Cambridge Water Company is raising charges by 28 per cent from April 1, but for different reasons. Mr Robert Burgin, general manager, said it was "nothing to do with privatisation" but was largely to meet the costs of the new EC water quality directive.

Many companies have yet to confirm their increases. The belief is that many, but not all, will ignore Government pleas for single figure increases and will press ahead with rises they feel they can justify to their consumers. The authorities have already agreed an average increase of 9.3 per cent from April 1.

Court hearing over £1.2m MoD contracts

By David White, Defence Correspondant

GEC-MARCONI, the defence arm of Britain's General Electric Company, said yesterday the alleged irregularities for which three of the group's companies have been summonsed to appear in court next week involved contracts worth no more than about £1.2m.

The company said the summonses were in connection with three related Ministry of Defence contracts for speech encryption equipment delivered in 1983.

This equipment, known as vocoders and designed to transform the human voice into coded signals, was made by Marconi Secure Radio Systems at Portsmouth.

Summonses were served on Monday for the company to appear at Portsmouth magistrates court on Monday next week along with Marconi Space and Defence Systems, to which it reported in the group hierarchy at the time of the contracts, and The Marconi Company, which was at the head of the group.

Three former executives and one current GEC-Marconi employee, all attached at the time to Marconi Space and Defence Systems or the secure radio unit, are due to appear at the court on April 25 facing a list of charges covering theft, deception and false accounting.

The most senior of the accused men is Major-General John Sturge, a former chief signals officer for the British Army of the Rhine who later became an Assistant Chief of Defence Staff at the Ministry of Defence. He was general manager of Marconi Space and Defence Systems from 1981 to 1984 and managing director of Marconi Secure Radio Systems from 1984 to 1986, when he left the group to become a consultant for the Logica computer systems company.

The moves by the Serious Fraud Office came after allegations by a group of Labour MPs last week that the Government was delaying prosecutions in the case because of the combined GEC/Siemens bid for Plessey.

GEC-Marconi said yesterday it had co-operated fully with the inquiry launched by the Ministry of Defence police.

"Marconi has consistently denied dishonest conduct and will strongly contest the charges made against it," the company said in a brief statement, declining to reveal any further details.

The orders for voice encryption equipment came in the wake of the 1982 Falklands conflict, when 12 prototypes were used by the Royal Navy. A number of the vocoders were subsequently exported.

Inquiry sets its sights on Marconi

David White on the fraud allegations against the defence contractor

THE INVESTIGATION into alleged contract irregularities at GEC-Marconi, the UK defence contractor, which is understood to have examined interests ranging from radios to torpedoes, has homed in on one unit at Brown's Lane in Portsmouth.

The inquiry is said to have been the biggest of its kind ever launched by the Ministry of Defence police and was last year taken over by the newly established Serious Fraud Office.

Its first formal allegations involve what might seem to be a relatively trifling amount: according to the company, three contracts totalling no more than about £1.2m. This compares with a current GEC-Marconi annual sales figure of about £2bn, and an annual UK arms bill of more than £8bn.

Marconi Secure Radio Systems, a division of Marconi Defence Systems, is a relatively small part of the GEC-Marconi empire, employing 850 out of a total of 45,000 working in the UK's principle defence electronics group.

It does not even account for the bulk of the group's military radio business, which is done by Marconi Communication Systems, based at Chelmsford, Essex. But it is a crucial supplier for British intelligence, with products including secure telephone speech equipment and digital voice encryptors.

Military radios are one area in which the Ministry of Defence has been insistent on maintaining as wide a choice of suppliers as possible.

On those grounds MoD procurement officials expressed strong reservations about the initial takeover plan which GEC and Siemens launched last year for Plessey, which is a major competitor in the field along with Racal.

Under a considerably altered takeover blueprint last month, GEC proposed that the West German company Siemens should take up Plessey's military communications, except for cryptography, which for security reasons would remain in British hands.

The summonses on Marconi companies and charges against four former or current employees, which include theft, deception and false accounting, have come at an embarrassing time for the GEC group, with the Siemens bid still being scrutinised by the Government's monopolies watchdog, the Monopolies and Mergers Commission.

The two other companies cited along with Marconi Secure Radio Systems are the one to which that company reported in 1983 – Marconi Space and Defence Systems – and The Marconi Company. The central management company for the defence side has since been re-titled GEC-Marconi.

Marconi Space and Defence systems was set up after the merger between GEC and English Electric at the end of 1968, embracing a wide range of activities from radar to satellites.

At the start of the 1980s, it was the largest part of the group's defence business and was described in company brochures as "Britain's fastest growing electronics organisation."

Marconi Underwater Systems, including the key torpedo business enjoying a monopoly position in the UK, was split from it in 1982, and in 1984 space and defence systems were broken off into separate companies.

Under the current structure, set up two years ago, they are two of 11 subsidiaries under GEC-Marconi, which together constitutes about a third of the GEC electrical group.

Marconi Space Systems, based opposite the Brown's Lane plant, is a leading UK force in the development and manufacture of spacecraft and payloads, including the Skynet series of military communications satellites, in which it is involved with British Aerospace. It is also claimed to have been involved in the secret Zircon spy satellite project.

Marconi Defence Systems, which like the parent GEC-Marconi company is based at Stanmore, also has a manufacturing unit at Portsmouth on England's south coast. The company's activities extend from missile guidance systems to airborne radar (including the trouble-ridden Foxhunter radar for the RAF's air-defence Tornado F3 aircraft) and electronic warfare.

Products include the seeker systems for British Aerospace weapons such as the Sea Dart ship-based surface-to-air missile, the Sea Eagle air-launched anti-ship missiles, the Sky Flash air-to-air missile, and the Alarm anti-radiation missile designed to seek out hostile radar systems.

Its anxiety to strengthen its hand in the missile business is one of the keys to GEC's interest in a joint bid with Fokker of the Netherlands for Short Brothers of Belfast, now up for privatisation. Shorts makes missiles but farms out the guidance work, while Marconi has guidance expertise without missiles.

Last month, Marconi announced a tie-up with Electronique Serge Dassault of France on seeker systems, after British Aerospace turned to the other French group, Thomson-CSF. The two alliances will compete for a new active seeker for the updated Sky Flash.

The company's secure radio division covers a range of special communications equipment. It was recently awarded Ministry of Defence and Nato contracts worth more than £3m for modems to protect military satellite communications traffic from jamming.

The Brown's Lane plant was the site of a police search of company files in 1987, and the four men charged worked there or for the Space and Defence Systems company which came over it.

The contracts cited in the fraud allegations, according to GEC-Marconi, were for equipment to transform speech into coded signals.

New age of apprentices at Telecom

By Michael Smith, Labour Staff

BRITISH Telecom is to offer apprenticeships to people up to the age of 41 in an attempt to arrest growing retention and recruitment difficulties.

The telephone company also plans to increase significantly the number of apprenticeships on offer following a marked decline in recent years.

BT's proposals, revealed at an Industrial Society conference in London yesterday, represent one of the most radical responses among major companies to the need for recruiting older staff in the face of increasing skill shortages.

Although a growing number of employers is advertising for mature staff in less skilled jobs, few have so far contemplated the expense involved in offering apprenticeships to people other than teenagers.

BT is experiencing growing skill shortages particularly in engineering grades. The problem has been fuelled by a decline in the number of teenagers available for recruitment and a fall in the number of its apprenticeships.

According to the National Communications Union, which represents most BT staff, the company offered several thousand apprenticeships a year in the 1970s but last year only a few hundred.

BT's staffing problems have been compounded by a significant increase in demand for telecommunications facilities, particularly in the south-east.

The new scheme, which is being discussed with the NCU, is likely to be aimed mainly at recruits in the London area, where recruitment and retention problems are most acute.

● A High Court judge ruled yesterday that telephone chat-lines, stopped by British Telecom last month, should remain suspended in their present form. BT cut the services after concern over reports of teenagers running up telephone bills of thousands of pounds on chatlines.

Cattle disease controls urged

By Bridget Bloom, Agriculture Correspondent

GOVERNMENT health advisers have recommended a number of precautions to ensure that a disease which causes madness in cattle is not passed on to humans.

While an official working party has said that the possibility of transmission is remote, the Government is sufficiently anxious about the disease – bovine spongiform encephalopathy – to have set up a scientific committee to oversee research into its causes and spread.

Other measures, including laws to make it illegal to sell baby foods containing cows' brains, will also be introduced.

Mr Kenneth Clarke, Health Secretary, explained that baby foods did not contain cows' brains or intestines, but the legislation would stop any possible future use.

Doctors will also be alerted to watch for any change in the pattern of Creutzfeldt-Jakob disease – a related disorder which can affect humans.

The cattle disease, known as BSE for short, attacks its victims' nervous systems. It was identified less than three years ago and, while it is described as similar to scrapie which affects sheep and is not transmissible to humans, its incidence has increased markedly. Just over 3,000 cases have been identified on about 2,100 farms, with cases currently running at 100 a week.

The report of the working party, chaired by Sir Richard Southwood, Professor of Zoology at Oxford University, suggests the disease has come from cattle feed containing animal remains – probably bone meal from sheep with scrapie.

Such feed was banned last July while, in an effort to prevent meat or milk from affected cattle getting into the human food chain, cattle with BSE now have to be slaughtered and destroyed.

The Southwood report says its inquiry into BSE had led it to question the wisdom of some intensive practices of modern animal husbandry because they risk exposing man to new animal borne diseases.

Controls on animal feed and on slaughtering affected animals would remain, while new controls on the use of offal would be enforced, officials said.

Report of the Working Party on BSE. Dept of Health, Stanmore HA7 1AY. £2.

Lance update not wholly Bonn decision, says PM

MRS MARGARET Thatcher, the British Prime Minister, said in the House of Commons yesterday that she did not believe West Germany should have the decisive say in the controversy over the modernisation of Nato's short range Lance nuclear missiles, writes Ivor Owen.

She was asked during questions in the House by Mr Rhodri Morgan, Labour MP for Cardiff if she agreed with President François Mitterrand of France that the choice should be a sovereign West German decision.

Mrs Thatcher replied "No. Most certainly not". She explained that she had not gathered that it was "precisely" President Mitterrand's position either.

The Prime Minister told the House that President Mitterrand took the view that so long as the Soviet Union was modernising its short range nuclear weapons "so should we".

Inspectorate warns of teacher shortages and falling standards

Room for improvement in schooling

By David Thomas, Education Correspondent

THE growing problem of teacher shortages in Britain could endanger the delivery of the Government's educational reforms, according to a warning issued yesterday by the Schools' Inspectorate, the independent watchdog of school standards.

The warning, contained in the inspectorate's first annual report on educational standards in English schools, is the most authoritative yet on the increasing difficulties facing schools in recruiting enough teachers.

The report, written by Mr Eric Bolton, senior chief inspector of schools, concludes "there is room for improvement" and contains highly critical remarks on primary school standards, the teaching of secondary children of below average ability, truancy among 14 and 15-year olds and mismanagement of resources by senior teachers.

Mr Bolton highlights recent educational improvements, particularly those produced by the new 16+ General Certificate of Secondary Education exam, which has "markedly increased pupils' motivation; improved both teaching and learning; and helped to raise teachers' expectations particularly of pupils of around average academic ability" and concludes that 80 per cent of lessons are satisfactory.

"In many ways, then, the education service is well placed to face the future with some confidence," Mr Bolton writes. Nevertheless, the report points to three problems:

● More people from non-traditional backgrounds, including those in mid-career, will have to be attracted into teaching to cope with the demographic downturn in 18-20 year olds, without simultaneously damaging the quality of recruits.

● Shortages of science, maths and technology teachers need to be overcome, not just in secondary schools, but also in primary schools which are "critically short" of such teachers.

● Primary school teachers need to spend up to a tenth of their time away from the classroom to prepare for the new national curriculum, which could halt the improvement in primary staff-pupil ratios.

● The report notes recent improvements in teacher training but also highlights serious weaknesses, including the failure to train aspiring teachers how to assess and record pupils' progress, how to deal with children of different ability levels and how to manage a classroom.

Mr Kenneth Baker, Education Secretary, welcoming the report's comments on improving standards, said: "I am pursuing policies which aim to ensure that education does not suffer for lack of good teachers."

Mr Jack Straw, Labour's education spokesman, said the report was an "extraordinary and courageous" attack on "Kenneth Baker's stewardship of the education service."

Mr Doug McAvoy, general secretary designate of the National Union of Teachers, described the report as "a damning indictment of the Government's inaction and complacency over the whole question of teacher supply."

Among the most critical comments in the report are those directed at primary schools, which have long been considered to have fewer problems than secondary schools. Mr Bolton complains that primary school children are not stretched after they have learned to read and points to a "lack of pace and progression" in primary English, maths and science.

"Most primary schools deal effectively with the basic skills of literacy and numeracy but much less satisfactorily with the rest of the curriculum," Mr Bolton writes.

The report says truancy rates among fourth and fifth year secondary pupils "in some areas are a cause for serious concern."

The inspectors have found truancy levels of 20-30 per cent to be fairly common and levels of more than 50 per cent are not unknown.

The report stresses the inadequate state of many school buildings, with the quality of secondary accommodation having deteriorated since the first half of the 1980s.

Yet it blames other shortfalls in resources largely on the incompetence of senior teachers. In primary schools, for instance, "deficiencies in books, materials and equipment continue to stem largely from inadequate identification of needs or from poor management."

Standards in Education. 1987-88. DES Publications Centre, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

UK LAW REPORTS

ITC creditors can sue members

AMALGAMATED METAL TRADING LTD AND OTHERS v DEPARTMENT OF TRADE AND INDUSTRY AND OTHERS

Queen's Bench Division (Commercial Court) Mr Justice Evans: February 21

CREDITORS can recover damages from member states of the International Tin Council for loss caused by misrepresentation in respect of contracts negotiated by the ITC as principal, if they can prove the states authorised the contracts and, in doing so, acted recklessly or fraudulently; but the proceedings will be stayed if a Statute of Frauds defence exists in that the misrepresentation was not made in writing and signed by the defendant.

The creditors cannot sue in negligence because no duty of care existed between them and the ITC or the member states; and they cannot sue for fraudulent trading, in that no such specific tort exists.

Mr Justice Evans so held on applications by the first defendant, the Department of Trade and Industry to strike out claims in tort by the plaintiff brokers, and claims in contract and tort by the plaintiff banks, on the ground that they disclosed no reasonable cause of action and were non-justiciable; and on applications by the other defendants, member states of the International Tin Council including the European Economic Community, to strike out the claims on the ground of immunity from proceedings. The claim for fraudulent trading against the DTI was stayed on the ground of a Statute of Frauds defence.

HIS LORDSHIP said that the International Tin Council was a trading member on the London Metal Exchange. It was an international organisation formed by treaty between 22 sovereign states, including the UK and the EC. It was an independent legal person under international law, and had the legal capacities of a body corporate.

The ITC ceased trading on October 20 1985. It was unable to discharge its liabilities. The Court of Appeal had established that it contracted as principal with brokers and banks, and that member states were not liable as principals by virtue of ITC membership alone.

The plaintiff brokers and banks had been unable to recover from the ITC because of its inability to pay its debts. They therefore claimed against the member states.

The brokers claims lay in tort. They claimed damages for misrepresentation and fraudulent trading. On the misrepresentation claims it was alleged that the member states authorised implied representations, made recklessly or negligently by the ITC, that it reasonably expected to be able to meet its liabilities.

The banks' claims lay in contract and tort. They alleged that, by participating in ITC affairs, the defendants caused it to enter into loan agreements and thereby became parties to implied representations that it intended to meet its obligations. It was alleged that the defendants were under a duty of care to ensure that the representations were not misleading.

The DTI applied to strike out the claims against it on the ground that they disclosed no reasonable cause of action, or were non-justiciable. The member states, including the EC, claimed immunity under the State Immunity Act 1978.

With regard to fraudulent trading, the brokers claimed that when contracts were being made, ITC business was carried on in the knowledge that liability could not be met, recklessly and in a manner calculated to prejudice creditors.

The brokers submitted that there existed in law a general obligation of honesty, for breach of which there was a liability for fraud.

There was an absence of authority in which that general principle, or specific liability for fraudulent trading, had been recognised or applied.

There was no liability in tort for loss caused by fraudulent trading, or for fraud in the general sense of dishonesty, except on proof of loss caused by fraudulent misrepresentation: that is damages for deceit and in certain circumstances where "equitable fraud" could found liability.

With regard to implied representation, a contracting party impliedly represented that his contractual promise was made honestly and did not involve any fraudulent (that is knowing or reckless) misconduct on his part. A contractual undertaking therefore implied a representation that there was an honest and non-fraudulent intention to pay, and an honest and non-fraudulent belief that the means to do so would exist when payment became due.

The next question was whether a duty of care arose between the plaintiffs and the ITC or the plaintiffs and the defendants.

Apart from a special claim against Australia, it was not alleged that there were any direct communications between the plaintiffs and the states. Neither the decided cases nor the principles underlying them justified holding that a special relationship existed between the brokers and the ITC when negotiating or concluding the contracts.

No duty of care arose between the contracting parties so as to impose a duty not negligently to mislead. In the absence of such duty a representation that the contractual promise was made without negligence was not implied.

The plaintiffs also failed to establish a duty of care owed to them by the defendants.

With regard to the defendants as tortfeasors, the representations relied on by the plaintiffs were made impliedly to them by the ITC. If the representations were false and the ITC was liable in tort, the plaintiff alleged that the defendants, as member states, were under the same liability.

If the member states authorised ITC representatives to make the contracts which gave rise to the implied representations, and if the representations were false, there was no reason why the defendants should not be liable.

The defendants might be held to have authorised the implied representations made by the ITC, but their liability depended on proof that through their representatives, they acted fraudulently, whether knowingly or recklessly.

The conclusion was that the brokers' claims against the DTI in respect of negligent misrepresentation or fraudulent trading disclosed no cause of action in law.

Their claim for fraudulent misrepresentation was not bad in law. On the alleged facts the pleadings disclosed a proper cause of action and, on the limited evidence before the court, the allegation was not improperly made.

As to non-justiciability, the brokers' allegations did not require the courts to venture into an area forbidden to them.

It would be surprising and inconsistent with principle if any rule prevented the courts from inquiring into and adjudicating on the allegations of recklessness amounting to fraud.

On their claims against the member states, the brokers proved on undisputed facts that the states did take part in ITC affairs to the extent of authorising the trading contracts. They therefore defeated the claim for immunity by reference to section 3(1)(a) of the State Immunity Act 1978, which provided exception from immunity from proceedings relating to a "commercial transaction" entered into by the state.

On the banks' claim in tort against the DTI, the holding that the negligence claims were not valid in law meant that the DTI application to strike out succeeded.

On their claim in contract, the pleaded facts did not support any allegation that member states authorised the making of contracts on their own behalf. They did not become parties to the contracts by virtue of ITC membership. The claim must therefore fail in law.

On their claims against the member states, the banks proved the facts necessary to establish exception from immunity under section 3(1)(a) of the 1978 Act, and under section 3(1)(b) which provided for exception from immunity from proceedings relating to an obligation of the state, which by virtue of a contract (not necessarily a commercial contract entered into by the state) fell to be performed wholly or partly in the UK.

On a claim against Australia for a unique tort, alleging that diplomats gave misleading advice, the application for immunity succeeded on the ground that the relevant activities were performed for sovereign purposes (see section 3(3)(c)).

Claims by the banks against the EC in contract based on agency and warranty, were unsubstantiated by the facts alleged.

It was held that the plaintiffs could recover damages for misrepresentation on proof that ITC members acted recklessly or fraudulently, but not otherwise.

The DTI relied in the alternative on the Statute of Frauds Amendment Act 1828.

Rachel Davies

Barrister

Oil trader moves in line for top British Coal job

By Maurice Samuelson

MR DAVID KENDALL, a leading oil industry trader, emerged yesterday as a contender to succeed Sir Robert Haslam as a future chairman of British Coal.

Mr Kendall, 58, is to join the Corporation as a full time joint deputy chairman. His appointment runs from the beginning of next month until December 31 1990.

Mr Cecil Parkinson, Energy Secretary, also announced yesterday that Sir Robert, whose three year chairmanship was due to last until the end of August, had been reappointed until the end of 1990.

As deputy chairman, Mr Kendall will fill the post left by the retirement last September of Sir Kenneth Couzens.

The other full-time British Coal deputy chairman is Mr John Northard, the Corpora*tion's operations director.*

Mr Kendall, an accountant by training, had worked at BP for the past 25 years. His last job at BP, from which he resigned in December, was as chief executive and managing director of BP Oil, British Petroleum's UK refining and marketing arm.

With his experience in the downstream oil business, Mr *Kendall's* appointment *is* apparently intended to reinforce British Coal's defence of its market after the privatisation of the electricity industry, its dominant customer.

However, it also underlines *the Government's ambition* to ready the coal industry for privatisation shortly after the next general election, should the Conservatives win a fourth successive term of office.

Last summer, Mr Parkinson persuaded Mr Robert Malpas, a BP group managing director, to head PowerGen, one of the two private generating companies to be carved from the Central Electricity Generating Board.

Sir Robert Haslam last night said he hoped to be able to hand over to his eventual successor a viable industry able to face the future with confidence.

Warning that the industry faced "two more very exacting years", he said the major restructuring and reshaping *exercise now being vigorously* pursued by British Coal should be "largely accomplished" in this period.

When Sir Robert was originally brought in to succeed Sir Ian MacGregor at British Coal *in September 1986, he was formally* required to end the Corporation's bottom line losses over the following three years.

This still remains Government's official objective but with the Corporation expected to show a £100m loss in the current financial year, there is growing recognition in Whitehall that this will not be possible without a reconstruction of its huge debt burden, which will this year require interest repayment of nearly £500m.

Such a move, already accepted in principle by Ministers, would have to be authorised by Parliament.

BRITISH Coal is to impose on the National Union of Mineworkers the two-year pay package agreed, after arbitration, with the Union of Democratic Mineworkers. This follows the NUM's continuing refusal to accept British Coal's terms for pay negotiation.

The package, worth about 7.5 per cent on basic pay in the first year, means increases of £8.15 a week for underground workers and £7.35 a week for surface workers.

Rising deficit laps against the White Cliffs

Ralph Atkins visits the port where the economy flows and ebbs with the ferry sailings

EAST CLIFF Hotel on Dover's seafront, with its pink paintwork and potted geraniums around the doorway, boasts panoramic views – of Britain's huge trade deficit.

At peak times, up to 170 lorries an hour pass by on the A2 London road that spirals over the town's famous white cliffs. Today financial markets will be waiting anxiously for January's trade figures to see how many more were coming in than leaving.

Located on England's south-eastern tip, Dover is at the sharp end of the deficit. It is Britain's busiest port in terms of value of imports and exports – and fertile territory for clues about latest trends.

There is plenty of circumstantial evidence to suggest the rapid deterioration last year, which saw the UK visible deficit hit £20bn, has not been reversed.

From lorry drivers it is clear British industry is under pressure. "The stuff I take out is rubbish compared to what I bring back," says Mr Greg Vanhouten, a Gatwick-based owner driver. "We are not a manufacturing nation any more."

Drivers claim the pay rate for importing can be twice that for exporting – although this could reflect a less organised, more competitive UK freight industry.

"You have got so many cowboys on this sort of work it's unbelievable," said Mr Jim Regan, carrying steel coils to Italy. "I reckon my guv'nor is taking stupid money for taking this lot."

Figures compiled by Dover Harbour Board give a broader, but initially confusing, picture. They show that in 1988 roughly the same number of driver-accompanied lorries left the UK via the port as entered – about 380,000 each way. Encouragingly this suggests vehicles are not being stockpiled in the UK.

The snag is that about a third of lorries leaving are empty compared with just 2 per cent entering. And there has been a long-running deficit in freight carried.

Last year 3.15m tonnes was exported and 5.5m tonnes imported through Dover. Both totals were lower than in 1987 due to the dispute between P&O European Ferries and the National Union of Seamen.

Mr John Mills, freight manager for Sealink, says cargo traffic on the company's Dover-Calais route was up 25 per cent in January compared with a year before. This could reflect an increased market share – or strong import growth.

"When exports are booming all that does is fill up lorries that are already travelling. But when imports are booming, it means extra lorries," he said.

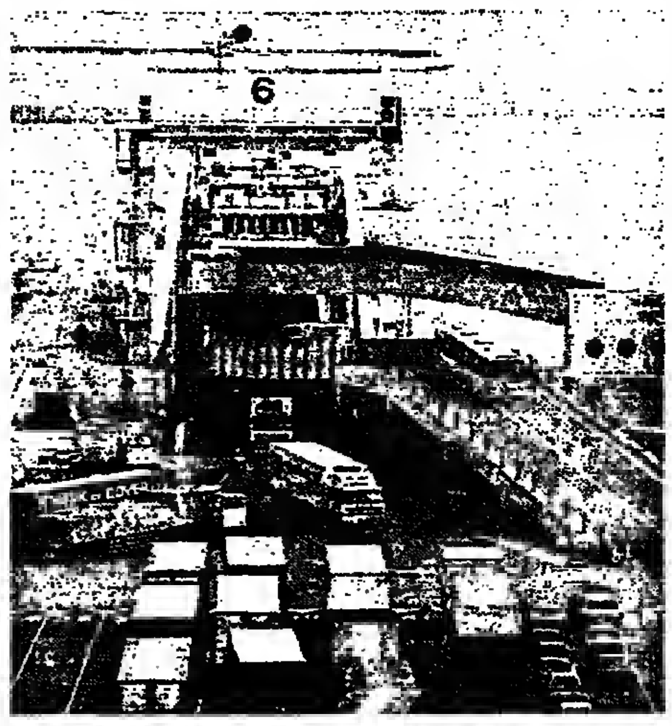
A particularly fast area of growth has been "groupage," combinations of small loads put together by shippers to fill a lorry.

"That has grown perhaps because it is more economical, or perhaps because we are exporting so little," Mr Mills said dryly.

Some idea of the composition of exports and imports comes from records of freight carried on Sealink sailings between Dover and Calais.

An analysis of four sailings in each direction on a typical day in February showed 12 per cent of outward-bound and 2 *per cent of lorries coming back* were empty.

The most common exports, after "groupage," were meat products and textiles closely followed by chemicals, vehicles (assembled or parts) and waste paper.



Dover: the Channel gateway with a growing traffic in deficits

High on the list of imports were car parts, chemicals and foodstuffs including cheese, wine and chocolate.

Identifying a manufacturing deficit was difficult from the *small sample.* Imports included video recorders, computer equipment and furniture but appeared to be matched, at least in volume terms, by similar sorts of exports. Again, France exported dog food, *while the UK sent out cat food.*

Dover's traffic flows are, above all, an indicator of trade with European Community countries. In 1988 this accounted for about 50 per cent of total UK exports and *imports.*

A rough feel for trends between the remaining countries is given in figures compiled by the shipping company P&O Containers showing its estimates of physical volumes *flowing* to and from other leading trading blocks.

Since the beginning of 1987, both exports and imports have grown strongly.

Over the whole of last year, however, inflows exceed outflows by a large margin – consistent with a large trade deficit.

Looking at trading areas, there has been a striking increase in imports and *exports from the Far East.*

Imports from the Red Sea/ *Arabian Gulf area and Indian* sub-continent are also growing rapidly. In contrast, trade between the US and UK has been relatively slow.

Both P&O and Dover's figures cover only visible trade. Invisibles, such as the exports of service industries, had a moderating effect on the current account deficit last year. But from the point of view of Britain's shipping companies, they are, well, invisible.

Dover has also witnessed strong growth in total trade, whether imports or exports, with the number of lorries passing through doubling in the last 10 years. Underlying growth has been more or less continuous come economic boom, gloom or massive trade deficit.

The port's strengths, says Mr Jonathan Sloggett, managing director of Dover Harbour Board, are its position – 73 miles from London and 21 miles from the continent – and its round the clock sailings to Calais and Boulogne.

The frequency of crossings appeals to high-value freight hauliers. "*You can treat a ferry* service like buses and not an air service. There will always be another one behind," he said.

Like any proud businessman, he boasts of the investment going into Dover to increase capacity and speed up Customs in order to compete with other routes – not least, the Channel tunnel.

Growth in UK overseas trade will help Dover to secure a *return on its investment.* And Mr Sloggett is one businessman unperturbed by the prospect of a large and persistent trade deficit. "We don't care whether it is exports or import traffic. We still carry it," he said.

Computer industry urges 'hacking' laws

By Della Bradshaw

COMPUTER "hackers", people who gain unauthorised access to computer systems or who introduce computer "viruses", should face criminal prosecution, according to many of Britain's largest computer users and manufacturers.

In addition, anyone who introduces a computer "viruses", an unauthorised program code which continually reproduces itself and can destroy data, should also be prosecuted.

The views have come in response to a Law Commission consultative document, in which the Commission proposed that existing laws are broad enough to deal with the problem.

In written papers to the Law Commission, submitted yesterday, organisations as diverse as the Confederation of British Industry, Institute of Chartered Accountants, British Computer Society and Computing Services Association attacked the Commission's view. They argued that current laws on theft and fraud have proven inadequate in dealing with the growing number of computer hackers.

They believe anyone who gains unauthorised access to computer data should face criminal prosecution under a specific law on relating to computer access, according to Mr Chris Amery, Chairman of the information technology security committee of Beita (business equipment & information technology association), which represents all the big information technology companies in the UK. "Hacking involves breaking through some kind of security procedure, such as a password system, and so is the exact equivalent of breaking physical locks or barriers," said Mr Amery.

Companies lobbying for the new law also want persistent, but failed, attempts to hack into computer systems to be judged as criminal offences.

Legislation has already been introduced in France, Germany, Canada, Australia and most US states to make unauthorised access to computer systems a criminal act.

The computer associations also want a a change in the law to deal with the allocation of damages when computer data is lost, changed or removed. Under the existing law on criminal damage the injured party has to prove damage to property "of a tangible nature", which computer companies and users claim is too vague to cover software. If a new law to deal specifically with software is not feasible, they want a new clause written into existing legislation.

Anyone responsible for introducing computer viruses could be prosecuted under both the unauthorised access or criminal damage section of the bill.

If the Government does agree to introduce legislation relating to computer hacking and viruses, it is unlikely to become law before 1992.

Directors warned of disaster in EC market

By Richard Donkin

THE euphoria among British businesses over plans for a single European Community market in 1992 was dealt a severe jolt yesterday when Sir John Hoskyns, director-general of the Institute of Directors, told its annual conference in London the market would be an economic disaster on present indications.

In a critical address at his fifth and final convention as director-general, Sir John Hoskyns said even if frontiers were opened in time, the competitive benefits of the free market could be cancelled out by overheads.

Problems for the single market had become evident two years ago, said Sir John. He said: "There was growing evidence of confined objectives, protectionism, cynical disregard of Community rules, dreams of 60s-style social engineering, administrative incompetence, bureaucratic dishonesty and fraud. We had – and have – the makings of a fiasco."

Current developments pointed to a major failure, he said. "We could fail to open the frontiers and cripple ourselves with overheads. That would be an economic disaster."

On many of the complex details of dismantling frontiers – tax collection, public health regulations, visa requirements, political asylum, drugs and firearms – the Commission had not yet even made workable proposals for legislation, he said.

Britain appeared to have signed the Single European Act, he said, without reading between the lines of its broad aspirations.

The warning was underlined by Lord Young, the Trade and Industry Secretary, who told the 3,000 delegates: "We have to convince our fellow member states and the Commission that unless we get the balance right as between regulation and the freedom for business to operate then the single market dream will be lost."

Sir John, meanwhile, claimed confusion between *economic cause and consequence* was at the heart of the Commission's "muddled thinking."

He described the Council of Ministers, the main legislative body, as a "jumbo Cabinet" which never held proper meetings and which operated in a secret and incoherent way.

Pharmaceuticals trade surplus up 3% in 1987

By Peter Marsh

BRITAIN'S pharmaceutical industry last year recorded a trade surplus of £835m, a 3 per cent rise on 1987, according to figures from the Association of the British Pharmaceutical Industry yesterday.

Exports were up by 7 per cent to £1.62bn, while imports rose by 11 per cent to £876m.

The association said that, in spite of the good trade figures for drugs, it was worried by an increase in imports of medicines from European countries such as Greece which have relatively low prices for pharmaceuticals.

Many of these imports are accounted for by trade in UK-made medicines which are bought by overseas distributors at low prices. UK merchants then buy these products for importing into Britain, where they are sold at prices below the UK market rate. These so-called parallel imports are thought to be on the increase.

Europe and North America took more than two thirds of Britain's medicines exports last year, according to the association. The US was the UK's biggest customer for drugs, last year, importing products worth £166m, an increase of 7 per cent.

Sales to the Middle East stood up well, with Iraq and Saudi Arabia remaining large purchasers of UK-made pharmaceuticals.

ITV stations set up new service

By Raymond Snoddy

TWO of Britain's 15 independent television (ITV) companies, accounting for 21 per cent of total television advertising expenditure in the UK, have agreed to float off their advertising sales to a new independent company.

Central Independent Television and Anglia Television will each hold 40 per cent in the new company Television Sales and Marketing Services set up by Mr Dick Emery, Central's marketing and sales director and Mr Tim Wootton, director of marketing and sales at Anglia TV.

The move is one of the most dramatic so far in the trend within ITV to create separate profit centres and cut staff overheads before the next franchise round based on competitive tenders.

MANAGEMENT

Corporate strategy

BTR Nylex: a record of success breeding success

Chris Sherwell on the upsurge of the UK industrial group's Australian subsidiary

The trouble with impressive records is maintaining them. Ask Alan Jackson at BTR Nylex. No Australian industrial company has a five-year record as striking as his. And the market expects him to improve on it. After all, he set it.

Back to 1984, when it was still a relatively inconsequential rubber products group called BTR Hopkins, it had sales of A$115m, earnings of less than A$10m, less than A$100m in assets, a mere 1,300 employees and a market capitalisation of A$42m.

Just last week, it reported sales for 1988 of A$3.2bn and profits of A$315m. With more than A$4bn in assets, it now has 160 operating units and 27,700 employees. Its market capitalisation of A$5.4bn ranks it the third largest company in Australia behind BHP, the resources multinational, and Elders IXL, the brewing group.

BTR Nylex, 62.5 per cent owned by BTR of the UK, the industrial conglomerate, and currently providing 40 per cent of its parent's turnover, has grown into a multinational in its own right. Its interests have expanded from Australia and New Zealand to south east Asia, north east Asia, the US and Europe. Notionally the Pacific Rim arm of BTR, under Jackson, the 52-year-old managing director, it appears free to go anywhere, and does so.

Its phenomenal performance has made it the industrial darling of the Australian investment community, along with groups like Pacific Dunlop. Typically, this is attributed to one factor: Alan Jackson himself. His management techniques have been crucial to the group's success, his enthusiasm for hard work an obvious inspiration to his colleagues.

Two serious concerns are the result: one, that BTR Nylex is a one-man band, its success utterly dependent on its managing director. Two, that it only grows by acquisition – notably the Nylex plastics group in 1985, a group of Taiwanese chemical companies in 1986, Borg-Warner Australia in 1987, ACI International in 1988 and Feltrax in 1989.

In fact there is more to it than this. For a start, Jackson had been running the company for seven years before 1984 with little obvious fanfare. And he has been helped by other factors since – like five years of solid economic growth, a special relationship with the parent group, and some good fortune.

But five years ago something happened to change things. And that was Nylex. For about A$85m, Jackson acquired one of Australia's major plastics manufacturers from the ACI group and immediately added some A$300m in sales.

Many thought the under-performing Nylex was too much trouble to turn around for the price he was paying. To Jackson it was an easy way to make money, and after some rationalisation the earnings soon came through. For him the prime issue in running Nylex or anything else is not volume or sales, but costs and margins. And he applies these criteria of performance relentlessly.

Nylex did something else too. It helped him acquire 51 per cent of the China General Plastics Corporation group of chemical companies in Taiwan. Without access to Nylex's technology, says Jackson, the Taiwanese Government would not have approved the sale.

Without the Taiwan move, moreover, he says he would not have heard about Borg-Warner, the Australian operations of which he bought in 1987. It was a good fit; as the country's sole manufacturer of automatic and manual vehicle transmissions and of a range of axles, drive line systems and universal joints, it complemented BTR Nylex's traditional automotive related businesses.

Borg-Warner's chemical business also fitted in with Nylex. The purchase thus helped the group build both an international polymer division and a major engineering operation, linked not just to the automotive sector but the whole industrial sector.

Good fortune helped matters along. A strong depreciation of the floating Australian dollar helped manufacturers compete against imports and expand exports. The Government's eight-year car plan, which started in 1984, injected predictability into a complex business by promising financial support for a rationalisation which would reduce the number of local manufacturers from five to three, and the number of models from 13 to six. And the economy grew rapidly.

Less well appreciated is another change within the group. In 1984 Jackson was appointed to the board of BTR in the UK. The direct contact this allowed with London gave him more latitude. Some even trace the Nylex purchase and subsequent expansion to this fact alone. And as success bred success, it brought the remarkable independence, confidence and trust he now enjoys.

If Nylex was a quantum leap for Jackson, his A$1.6bn acquisition of the packaging and building products group ACI last year was even more so. What's more, it did not come out of the blue; he had had his eyes on it since he bought Nylex.

"When I went and saw Owen Green [BTR's chairman] about Nylex, I said: 'Look, from what I've seen, there's about seven Nylexes within ACI if only we can get it.' From that point on I tracked every move ACI made. Every time they did something I upgraded a balance sheet and updated it on our balance sheet to see how it fitted."

When the time came at the end of 1987, he was ready. Following a pattern similar to the Nylex purchase, he borrowed A$1bn of the funds from a consortium of banks headed by the Hongkong Bank, National Australia Bank and Security Pacific, made a A$755m rights issue and A$630m convertible note issue, sold off A$1bn in unneeded assets and set to work improving the performance of what remained.

The astonishing results were on show in the figures released last week. Helped by a buoyant domestic economy, ACI contributed 74 per cent of the year's increase in profits before interest and tax, and 86 per cent of the increase in sales. Between December 1987 and February 1989, market capitalisation of the group almost quadrupled.

Jackson called ACI the "acquisition of the century" and described 1988 as a "landmark year" for the group. Dividends were trebled, and he announced a one-for-one scrip issue – the group's fifth in succession.

This looks like an impossible pace of expansion to sustain. But Jackson, tongue in cheek, implies otherwise; having achieved a 96 per cent compound annual growth in profit to shareholders over the past seven years, he talks of matching the great cricketer Sir Don Bradman and reaching 100.

This year he will have a full-year contribution from ACI (nine months in 1988), where he insists a lot more work is still to be done, and from Feltrax, the New Zealand-based manufacturing group bought from the now-collapsed Equiticorp Holdings.

Still, he is acutely sensitive to the accusation that BTR Nylex is a group which grows only by acquisition. Last week he pointed strenuously to the continuing gains being made by existing businesses.

Businesses acquired before 1987, for example, notched up a 38.8 per cent increase in profits before interest and tax on a 12.6 per cent rise in sales. The Borg-Warner groups and the Sanshin trading company in Japan – bought in 1987 – showed a 45 per cent earnings increase on a 33 per cent sales rise.

If Jackson's secret is margins, underlying this is his disciplined system of tough annual profit plans and monthly report-backs from all operations. He studies each minutely, demands explanations when profits are not met, and revises them upwards when they are.

Cash flow is critical. Each operation has 60 days to get its "sales into the bank", as he puts it. Otherwise the money is lent by head office for 30 days at 100 per cent interest.

Each divisional and operational chief knows exactly what is expected of him, has quick access to Jackson and gets speedy decisions.

That is why he "gets mad" at suggestions that BTR Nylex is a one-man band. "We're a very strongly managed company," he says – and in a bid to prove it, he recently put all his chief executives before a meeting of selected analysts and journalists to explain what they were doing and why.

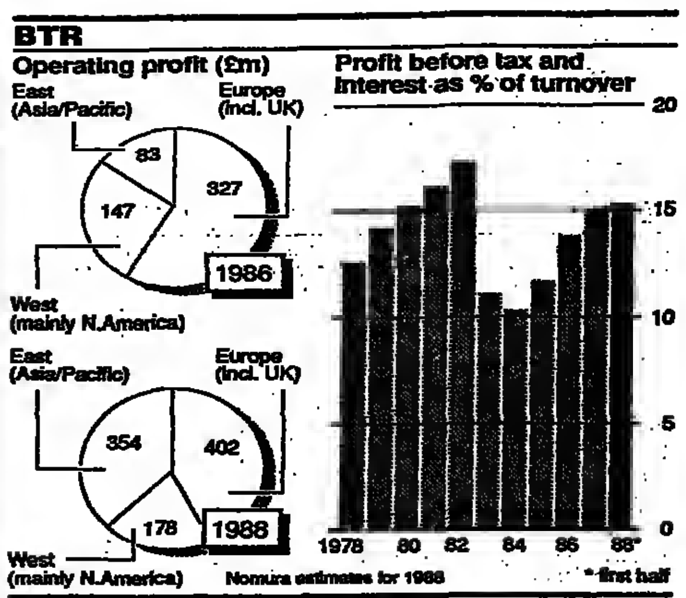
But he also acknowledges his influence in dictating the way the group is run. A hard taskmaster with a short fuse, he operates by example in a hands-on fashion.

"Most chief executives don't get themselves involved. I do," he says. But how does he cope with the responsibility? "I'm not the worrying type," he says simply. The truth is, though, it is getting increasingly difficult for him to run the group single-handed.

Further expansion at the recent furious pace can only continue through acquisition. Jackson may rue the fact that people don't understand the work involved in "bedding down" a business, that they keep demanding more.

But even he acknowledges that he regularly "runs the tape measure" over three or four more targets he has in mind. The trend, in short, is likely to go on.

Alan Jackson (right): acquisitive tendencies



Still the grand acquisitor

BTR spent £1.5bn on acquisitions in 1988, by far the biggest one-year buying spree in the British-based industrial conglomerate's history. But in the UK, where less than £10m of the total was spent, on deals too small even to be announced, who noticed?

Until recently, when the significance of the flurry of Australasian activity by BTR Nylex began to dawn on the City, the UK parent had drifted away from the forefront of many minds, despite its market capitalisation of nearly £6bn.

The respite from the limelight has not been unwelcome, however. "We have quietly been finding businesses which are contiguous to our main activities," says John Cahill, chief executive since January 1987.

In addition to BTR Nylex's purchases, in December alone the group agreed to pay nearly $640m (£345m) for the measurement and flow control division of Rockwell International and Schlegel, a US manufacturer of weather seals.

At home, however, BTR's reputation as grand acquisitor – created through its takeovers of Thomas Tilling in 1983 and Dunlop in 1985 – has not recovered from the failure to take over Pilkington in the winter of 1986-87. The episode is widely seen as a watershed, not only in the bull-market wave of hostile mega-bids, but also in BTR's own strategy.

Never, it claims, an adherent of size for size's sake, BTR has focused even more tightly after Pilkington on a simple formula. "Our skills are in designing products, manufacturing at a low cost, getting to market at the right price and getting paid for it," Cahill says.

Success has been measured in steady margin improvements, in part, according to Cahill, because "we don't see the 1990s as a period of rapid volume growth in any of the industries we service, including automotive."

At the pre-tax-and-interest line, BTR aims to increase margins by 1 percentage point a year; it is closing in on pre-Tilling takeover levels.

This has been achieved not only through rigorous planning and reporting procedures, but also by heavy capital expenditure to reduce production costs – £300m of investment in 1988 is expected to pay for itself in three years.

Nevertheless, Charles Pick, conglomerates analyst at Nomura Research Institute, says: "Clearly, in the early 1990s, there has to be a margin ceiling at some stage."

Cahill agrees, up to a point. "Ask me if I can take the margin to 20 per cent of sales, and I'll say 'definitely, yes'; if you ask, can you take it to 30 per cent, and I'll say 'that'll be tough.'"

The group's managers are "skilled in buying under-performing companies and turning them into over-performing companies," he says. Few businesses are ever sold.

The only major disposals both came from Tilling: Cornhill Insurance and the publisher Heinemann. But, even in these cases, Cahill insists: "We didn't sell them. People came along and bought them." Moreover, apparently peripheral operations have been retained.

Pick likens BTR to a boa constrictor. "It has a big swallow of a victim and then digests it for years, unlike Hanson, which spits out pieces rather more quickly."

Acquisitions are still high on the agenda. "We're looking all the time in a fairly systematic way," remarks Cahill. "We have a target list of companies worldwide. Every company we have bought, excluding Schlegel, we had had on our target list for many years."

The typical target is profitable and in a mature industry where the price of entry is very high. Asia and the Pacific will continue to be a priority.

"It never ceases to amaze me," says Sir Owen Green, BTR's chairman, "that UK international companies fail to realise – continue to fail to realise – that it's by far and away the fastest growing area of the world."

At home, however, BTR is restrained not so much by post-Pilkington discretion as by a firm belief that the prices necessary to buy quoted companies are too high. But that will not go on forever, says Cahill. "The opportunity will occur again in the UK and, when it does, we will be ready to move."

Clay Harris

ARTS

TELEVISION

Moving towards state control of expression

If the draft Code of Practice produced by that monstrous infant, the Broadcasting Standards Council, is actually brought into force it will presumably put the kibosh on *Equus* and "Leda And The Swan" because "sexual activity between humans and animals should never be shown." Jack The Ripper will have to become John The Awfully Violent Criminal because "the use of homely nicknames for notorious criminals should be discouraged."

It looks as though Benny Hill will have to make do with one or two "angels" instead of his usual troupe since "Although the half-undressed young woman has been a staple element in farce and light entertainment shows, the convention is becoming increasingly offensive to a growing number of people and should be used sparingly."

Moreover the BBC's excellent *Newsround* will no longer be allowed to show Mrs Thatcher sending a task force to duff up the Argies in the Falklands because "it is important that characters whom children are likely to admire should behave well and not, for instance, resort to violence as the means of resolving differences capable of other solutions."

It is, of course, always easy to ridicule codes of taste drawn up by a minority for imposition on the majority: easy because all such codes are, by their nature, ridiculous. One man's meat is another man's poison; my mild little religious joke is your hideous blasphemy; my expression of admiration for female attractiveness is your offensive wolf whistle. This code purses its new-puritan lips, climbs on its high horse, and asserts "The wolf whistles which, in a 1940s film, punctuated the progress of a pretty woman down the street and were usually represented as a compliment would nowadays be seen by many people as harassment."

In discussing the old conundrum about how far television can be blamed for causing violence rather than merely "contributing to the contemporary mood" the BSC says that "in the absence of any clear answer the Council takes the view that a society which takes delight in or gives encouragement to cruelty or brutality for its own sake is an ugly society set on a path of self destruction." This, it says, is the principle kept in mind when drafting the section on violence.

All such codes of taste drawn up by a minority for imposition on the majority are, by their nature, ridiculous: one man's meat is another man's poison

But rather than delighting in or encouraging the real thing, what about the depiction of violence in the mass media? In Japan, where you can buy astoundingly violent adult comics on the street corner, and watch violence on television from morning till night, real violence, including rape, is virtually unknown, and the murder rate is way below Britain's.

Supposing this code had been in effect on Sunday, what effect would it have had on BBC2's hard, glittering, and very violent drama, about hooliganism, *The Firm*? As it happens I loathe watching violence on television, and see as little of it as possible, yet honesty obliges me to admit that if the BBC found the courage to enter this production for the Prix Italia it would stand a very good chance of winning.

Not only did it contain a brilliant central performance from Gary Oldman as the hooligan leader, Bex, and a multiplicity of other horribly realistic portrayals from a big cast, but — thanks to Al Hunter's writing and Alan Clarke's direction — the whole thing smelled authentic in a way that middle class productions very rarely do when concerned with this sort of milieu.

But the draft code says "Too much violence in a production distorts." It says "Knives have a special sense of horror about them and their use in plays should be restricted as far as dramatically possible." In *The Firm* we saw Bex's baby slit his own month with his father's Stanley knife.

However, although the document may be too eager to accept fashionable assumptions (to "shock" the audience is a bad thing, "stereotype" is a boo word, and so on) there is no denying that the tone is well meaning. The reader is forced to conclude that those who drafted it are awfully *nice* people, who would like the world to be a *nice* place, full of nice children, watching nice programmes, and growing up into *nice* adults. The trouble is that the world is not a nice place, homo sapiens is not a nice species but the most violent ever seen on earth, and no amount of tinkering with the "nine o'clock watershed" nn television is going to make one iota of difference.

So does it really matter what this code says? Yes, it does, as anybody whn watched the excellent "Bookmark" special nn BBC2 last week, *Vaclav Havel: A Czech Drama* will have realised. This was a beautifully constructed combination of excerpts from Havel's splendid parodies of the bureaucratic world, and interviews with the head censor of tha Prague People's Gouncil and other similar figures. The result was both comic and appalling: the Czech censors are sincerely convinced tbat they know better than the audience not only what is good for the audience, *but what the audience really wants.*

Britain is not a totalitarian state. So far nobody has suggested "codes" for books, theatres or art galleries — though last week's *Signals* on Channel 4 showed, with its admirably swift reconstruction of the foetus-earrings case, how the Obscene Publications Act may now be by-passed and the common law used by the authorities to prosecute artists while simultaneously denying them any defence in artistic merit.

Where television is concerned the Thatcher philosophy has been turned on its head: instead of less state intervention, more; instead of wider choice, narrower

This case was one of the many items of evidence cited by those attending a seminar on censorship organised by the Writers' Guild in London on Sunday to indicate the speed with which matters are now moving towards state control of expression in Britain. Others included the formation of the BSC, the Government's new rule preventing *certain lawful* organisations from Northern Ireland being seen and heard on television, the new official secrets legislation, the video-cassette laws, Clause 28, and the new rules for television.

Having said all that, Britain is still not a totalitarian state, and it would be an insult to the towering courage of Havel — who was imprisoned for another nine months last week — and others like him to pretend that anybody in this country faces the same sort of threats (from the British authorities, anyway) that he and his compatriots do. And yet it is important to recognise one similarity: Lord Rees-Mogg and his fellow councillors sincerely believe that they know better than the British audience not only what is good for the audience, but what the audience really wants.

That fact shrieks out from the draft code: while publishers and readers, theatres and theatregoers, can be left to make their own arrangements, broadcasters and viewers are not to be trusted. Where television is concerned the entire Thatcher philosophy has to be *turned on its head: instead of* less state intervention, more; instead of wider choice, narrower; instead of fewer quangoes, more; instead of greater individual responsibility, less.

We were promised that this week's *Media Show* on C4 would take the film about the Profumo affair, *Scandal*, as the starting point for an investigation of why this story has never been properly told on television. They had a go (though most *effort* seemed to be put into puffing the new movie) but we never got a proper answer.

The answer seems to be that in the past the old school tie establishment clammed up and ganged up to ensure that the hoi polloi saw no more than they ought to. Now the Thatcherite establishment, which has little regard for old school ties, is laying down formal rules to ensure that ordinary viewers see no more than they ought.

At what point will the Thatcherites, marching down the road towards tighter and tighter state control of expression, meet the Gorbachev band marching in the opposite direction carrying the banner marked "Glasnost"? And what milestone will the BSC code represent?

Christopher Dunkley

Victor Spinetti: marvellous storyteller

Thoughts From a Very Private Diary

DONMAR WAREHOUSE

What to say about Victor Spinetti's one-man show? What can you say about any marvellous storyteller apart from repeating his stories without his flair? For flair he has.

Despite the bad omens of a celebrity-studded audience, being plugged on egregious radio programmes with titles like *Odds and Sods* and *Get Knotted*, the promise of an evening of show-biz memoirs and Ned Sherrin as director — despite all this he is hilarious and totally absorbing.

Unlike most actor-anecdotalists his material is of the best. His stories are both funny and about genuinely interesting people. And Mr Spinetti himself has been in the right place at the right time with the right people since he first presented "moving nudes" at Mr Chaudhuri's Irving Theatre Club to an audience of four Chinese sailors.

He obviously has the gift of friendship. His subjects range from Joan Littlewood (surprisingly not much, but warm with affection) to the Beatles (he was in all their films) via Marlene Dietrich and even the Rolling Stones (he offered a Beecham's powder to a cold-stricken Brian Jones and was startled at the use it was put to).

Gems include the account of a "Pink Panther" premiere party in Gstaad upstaged by the uninvited Burtons to the rage of Peter Sellers; and dining in Paris with Dietrich and his Welsh family including his mother ("What do you put on your face, love?") and rugger-playing brother-in-law ("Fair play, Marleen, you're bloody wonderful for your age").

Spinetti is wicked about Olivier ("He always thought I was Victor Rietty, actually") whom he makes both funny and touching in the first meeting with John and Yoko Lennon; and brilliantly observant in both his cod-Welsh and cod-French set-pieces, including the feud-riven Paris production of *Jesus Christ Superstar*.

He can be as fascinating about the obscure, like the little old lady who showed him round a Roman museum and died of happiness after meeting the Burtons, as he is about Raquel Welch or Brendan Behan.

As a performer the eyes have it. Above a modest imitation of Bob Hope's ski-jump nose, the Spinetti orbs roll and glare, whether as the Sergeant-Major he resurrects from *Oh, What a Lovely War!* or Salvador Dali. He can evoke the famous with an accent (Tennessee Williams) or vocal mannerism (Tallulah Bankhead) or raised eyebrows and a monosyllable (Bette Davis' "*What?*").

There are in-references: Theo Cowan and Binkie Beaumont are not perhaps household names. But all who love the absurd, gallant, childish, noble practitioners of mummery will love this show; and anyone who loves a good story will swell the understandably vast ranks of Mr Spinetti's friends and find themselves in distinguished company.

Martin Hoyle

Hungarian State Opera and Ballet

COVENT GARDEN

Though this national company has travelled widely, it has not reached London until now. The three nights of this flying visit (sponsored by APV plc) display chiefly the ballet troupe, perhaps because there is no full-length Hungarian opera familiar enough to foreigners to make a reliable draw — although the company is nowadays assiduous about staging new Hungarian works.

Things might have been different if Bartók's one-act, two-character opera of 1911, *Duke Bluebeard's Castle*, had been less badly received by its original judges: it had to wait seven years for a performance, and Bartók — a proud and prickly character — never explored the medium again. He liked to think, however, that *Bluebeard* could make up a good theatrical triple-bill with his two one-act ballets. On Monday that was what the Hungarians gave us, and they will repeat it tonight. Clement Crisp discusses the ballets below. We may have heard a little more of the opera company than the programme-book let on: at any rate, *somebody* sang the disembodied choral part — brief and usually omitted, but very telling — in the *Miraculous Mandarin* ballet.

The Royal Opera still awaits modernisation, and the Hungarians apparently found its facilities unequal to their promised new production of *Bluebeard* (press information has been curiously scanty); they have brought their five-year-old staging by András Mikó instead. No cause for disappointment: the Mikó version is more faithful than any I've seen to the intentions of the composer — and of his librettist Béla Balázs, whose visual imagination was later to establish him in the cinema.

The entire action consists in the unlocking of seven great doors in Bluebeard's castle — all his secrets — by his importunate new bride Judith (because *she loves him*). We see what they conceal, just as prescribed, only by the different lights that stream through them (vividly realised here); the music does the rest. Ervin Lukács conducted an eminently sympathetic performance, if slightly soft-edged: the musical proportions just, the successive vistas luminous, the gravest dramatic junctures a mere touch underweight. His singers were similarly apt but temperate: László Polgár an aristocratic and properly saturnine Bluebeard — darkly beautiful tone, short-breathed only in his moving final tribute to all his wives — and the appealing young mezzo Ildikó Komlósi an alert, spunky Judith. With minimal histrionics, Bartók's haunting fable exerted its authentic grip.

David Murray

However real our pleasure at welcoming the Hungarian State Ballet to the Opera House, it must be said that Bartók's two dance scores prove an over-generous evening when played with *Bluebeard*. The placing of *The Wooden Prince* as a buffer between the opera and the *Miraculous Mandarin* seeks, as usual in presentations of this triple bill, to separate the extreme tensions of the two outer works. But it also reveals that the naivete of this folk-tale and the lack of much dramatic tension in the music are almost insurmountable in the theatre, even when, as here, the score is edited to a length of 40 minutes.

The Wooden Prince is a non-starter, and the evening would do greater service to Bartók's theatrical reputation if it were omitted. The Hungarian staging is traditional in style; in 1981, Bartók's centenary year, Festival Ballet did rather better with a production by Geoffrey Cauley and design by Philip Prowse which treated the piece as Chinese opera and ravished the eye. The choreography by László Seregi is honestly classic in manner, and Gábor Forray's designs are of a giant succulent, which is the Princess's domain, with the corps de ballet in paleiy decorated leotards as the flowers, trees, waves, who hinder a young prince in his quest for a Princess.

I reported on this staging from Paris in 1981: then, as now, it does the decent thing by Bartók's theme of young people discovering the truth about love behind the illusions of appearance. Yet apart from a piety in letting us see Bartók's score on stage, it is not calculated to hold our attention. On Monday night the leading performers did not transcend their material to make any extreme impact, though I admired the elegant and seemingly endless line of Regina Balaton as the Fairy who unpredictably guides the narrative.

The Miraculous Mandarin, of course, grips musically and does not let go. Decor by Gábor Forray is of a brutal city-scape dominating the Girl's room. The characters are sharply drawn in design — the pimps, whom the programme daintily calls "tramps," are leather-boya — and in László Seregi's movement. As the Girl it was a great pleasure to see again Ildikó Pongor, a memorable interpreter of the role in the 1981 Paris season. In a part inevitably dominated by clichés of behaviour, she brings a nervous drive to every movement, an automatic sexiness and, with the Mandarin, a fierce sexual response, which give the character depth and real allure.

It is the reading demanded by the score, as the brutalities of the action beat against the Mandarin's implacable presence (an imposing interpretation by Gábor Kevehazi), and the Girl's passion and compassion are aroused. Seregi's choreography makes sure theatrical effect from the crudenesses of manner inevitable in this tale: there is real menace in the pimps' actions, and the irresistible drive of the Mandarin's lust seems, very rightly, to be the motor of the drama. It is the only credible staging of this score that I have seen, and it benefits from the admirably taut and atmospheric account of the score from the Hungarian State Opera orchestra under János Kovács, who were also persuasive advocates for *The Wooden Prince*.

Clement Crisp

Muti's Brahms

FESTIVAL HALL

It is a pleasure rarer than it used to be to hear a London concert conducted by Riccardo Muti. He appears to have forsaken his old orchestra, the Philharmonia, for the London Philharmonic, who on Monday rewarded him with playing of the highest quality — lines firmly and cleanly drawn, departmental ensemble of expert precision, the carriage and poise of an orchestra balanced with "ears" of superlative sharpness.

One doesn't hear orchestral work of this calibre in the Festival Hall so often that one can afford to be sniffy about it. Nevertheless, on a musical (as opposed to orchestral) level, if one may draw the distinction, there was something unsatisfying about Monday's concert. It was a Brahms programme — the *Academic Festival* Overture and Violin Concerto before the interval, the Second Symphony after it.

Muti'a Brahms, with all its expertise, lacks a ceotral element of warmth, vigour, and genuine symphonic momentum. It was hard to pinpoint exactly wby a Second Symphony of sucb finesse should prove so unstirring, but the cooductor's way of smoothing out rbythms and homogenizing orchestral blend seemed to me to have most to do with it. The argument nf each movement didn't grow and build upon a basis of vital rhythmic energy; there was no real ruggedness of sound. For all its superinr purpose there was something crucially stolid at the heart of this performance.

A similar process (or, properly speaking, non-process) seemed to be at work in the orchestral accompaniment to the concerto: such finely drawn lines, so little dance-like vitality in the 3/4 of the finale! The soloist was Kyuog-Wha Chung, as ever powerfully intense and dramatic, with a punchy attack on the patterns of the finale that the orcbestra might with profit have emulated.

In general, I find Miss Chung's unremitting high-tension-wire approach in *Brahms* and the unvarylog nervous throb of her Juilliard-schooled vibrato very wearying (and particularly since her intonation in high phrases was apt to suffer under pressure). Sbe never seems to breathe with the music — it is all rendered angular, upfront, late-20th-century, and terribly charmless.

Max Loppert

ARTS GUIDE

February 24-March 2

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). March 1-4.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. (379 6107, cc 741 9999).

Hedda Gabler (Olivier). Juliet Stevenson is energetically wilful in fine National revival using a new Christopher Hampton translation. A full-scale, monumental reading, with European design to match by Bob Crowley. Howard Davies directs, Norman Rodway is Judge Brack. Performances in late March (928 2252).

The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

The World According to Me! (Playhouse) Jackie Mason, Jewish stand-up comic who revives the near lost arts of scathingly satirical monologue and vaudevillian timing to the London stage for a limited season. Funny and irreverent. (839 4401)

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Rotterdam

Evita (Doelen). Original Broadway production with Florence Lacey. (Wed, Thur). (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has proved to be a durable hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Steel Magnolias (Kennedy Center Eisenhower). Barbara Rush and June Lockhart star in this view of Southern life through the antics in a hairdressing salon. Ends April 2 (254 3670).

Beggar's Opera (Folger). This eighteenth century view of London low life by John Gay gets inspiration from its Globe Theatre setting. Ends April 9 (546 4000).

Chicago

The Enormous Room (Next Theatre). John Carlile directs his own adaptation of the e.e. cummings novel about internment in the First World War. Ends Mar 26 (475 1875).

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Kabuki-za (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece, *Genji Monogatari*, a tale of the Genji clan. The final play in the evening performance at 4pm is *Megumi no Kenka (The Fight with the M Brigade)*, which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Onoe Kikugoro VII, for whose great-grandfather the play was written. Tickets are available for a single act and the theatre provides informative English-language programmes and commentary.

Bunraku. National Theatre; The World of Chikamatsu. Chikamatsu Monzaemon (1653-1724) is often described as the Shakespeare of Japan; be wrote primarily for the bunraku puppet theatre. At 11am: *Horikawa Nami no Tsuzumi (The Echo of a Drum near the Hori River)*, by Chikamatsu. At 3pm and 6pm: plays by Chikamatsu Hai and Yoshida Kanshi (265 7411).

Beneath the Blooming Cherry Trees. Written and directed by Hideki Noda. Seinenkan Hall. Japan's liveliest fringe company, Yume no Yuminsha, is wildly popular among young Japanese and has now built up a substantial international reputation following performances at the Edinburgh and New York Festivals (496 1051).

How to Sleep in Space, Prologue. Kinokuniya Hall, Shinjuku. Popular fringe company Daisan Butai in a revival of a 1981 production set in a nuclear shelter. The survivors take turns in revealing the corruption of their lives (354 0141).

Asinamali. Space Part 3, Shibuya. Anti-Apartheid musical, in English by the Committed Artists group from South Africa. The title means "Wa have no money", but its meaning is "Wa have suffered enough" (477 5858).

SALEROOM

Mappa Mundi reprieved

The Mappa Mundi has been saved from the indignity of a public auction. The Dean of Hereford Cathedral announced yesterday that he has withdrawn plans to sell the 13th century map, one of the greatest of our cathedral treasures, at Sotheby's in June. He is still considering alternative proposals, which will lead to the map being displayed more clearly, and more commercially, on a new site close by the cathedral. Hereford may not get as much money as it would from an auction, but it has avoided an unholy row and kept its integrity.

Ghristie's gave the metal detector industry a boost yesterday by including in its coin sale numerous coins unearthed recently by treasure hunters using detectors. A penny of the early 9th century bearing a portrait of Archbishop Wulfred of Canterbury sold to the Canadian collector Roy Cole for £7,150. Only one other example of this coin, which was found in the Chilterns, is known (it is in the British Museum) but it is not in such a good condition.

The Pinchbeck Hoard, 76 gold nobles from the reigns of Edward III and Richard II, unearthed in Lincolnshire, made £52,591. The discoverer first offered the coins to the BM which acquired 23 examples. A silver groat of Edward I, from Norwich, went for £4,620.

Gyril Frankel joined Bonhams from Christie's with the aim of building up sales in the his sector, contemporary ceramics, to £250,000 in twn years. He almost reached his target with his first auction in November and on Monday night did even better with a sale which totalled a record £246,196, with 8 per ccnt unsold.

Top price, not surprisingly, was tbe £22,000, double the estimate, paid for a black pot made by Hans Goper around 1962 while a tall slender-necked matt white stoneware vase by Lucie Rie also far exceeded forecast, at £14,300. There was a large group of pots by John Ward and two set a new auction record for him of £1,320.

Christie's South Kensington yesterday was awash witb shoes: it was disposing of a large collection of historic footwear. The top price was the £3,850, as against a top estimate of £150, paid for a pair of ladies button boots of the 1880s, with four inch heels and decorated with gilt leather, a touching survivor from La Belle Epoque. A pair of red morocco shoes of around 1790 were below target at £792.

A nightshirt reputedly worn by King Charles I just managed its low estimate of £1,100.

Antony Thorncroft

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000
Wednesday March 1 1989

Political crisis in Sudan

AS THE political crisis deepens in Sudan, it looks increasingly doubtful whether Margaret Thatcher, the British Prime Minister, will be able to include the country on the itinerary of her Easter visit to Africa, as planned at present.

Last week, following the resignation of the Sudanese Defence Minister, 150 senior officers issued an ultimatum to the Prime Minister, Mr Sadiq al-Mahdi, giving him one week in which to reshuffle his government and make a decisive move towards peace with the rebels in the south. This week, as the ultimatum expired, Mr al-Mahdi replied with one of his own, threatening to resign next Sunday unless the armed forces gave him a free hand to . . form a new government and work for peace in the south.

Observers have been in some doubt whether to describe this as acceptance or rejection of the army's terms. In fact Mr al-Mahdi has moved with some tactical skill to divide the officers. Although he was at one point presented with a list of 21 demands, he found out at the end of last week that most of the officers were committed to only two of these: the reincorporation of the Democratic Unionist Party, which left the government in December, and an end to the war in the south. The two are closely connected, because the DUP's main reason for leaving the government was its disillusionment at Mr al-Mahdi's refusal to seek parliamentary endorsement for a peace agreement with the rebels which DUP leaders had negotiated.

Some objection

Although Mr al-Mahdi had been consulted about the terms of the agreement, he objected to some of them: notably the requirements that the government should lift the state of emergency before the ceasefire was implemented, and should abrogate its "unity" agreement with Libya before a conference to settle the constitutional issues could be held.

He was also reluctant to override opposition from his other coalition partner, the National Islamic Front, which strongly objects to another point in the agreement, the freezing of the imposition of Islamic law.

Mr al-Mahdi himself, great-grandson of the famous 19th-century Mahdi, has generally impressed Western visitors with his eloquent exposition of an enlightened, democratic interpretation of Islam. He strongly opposed the dictatorship of President Nimeiri and, in particular, the "September laws" with their harsh Islamic punishments, including amputation. His own government has been kept afloat by big injections of Western and Arab aid, now amounting to half of its current expenditure.

No decisive action

But the September laws, although not currently enforced, remain on the statute book. Despite repeated pleas from friends both inside and outside the country, Mr al-Mahdi has not taken the decisive actions that would have been necessary to reunite the country; and when the DUP offered him what appeared a real chance for peace, he failed to grasp it. As a result the war, with its appalling consequences of famine as well as bloodshed, goes on.

Mr al-Mahdi's attitude is partly explained by his deep suspicion of Egyptian interference. It was against Egyptian rule that his great-grandfather rose in revolt, and in more recent times Egypt gave extensive support to the Nimeiri regime. The Khatmiya Sufi order, represented by the DUP and also by many senior officers in the armed forces, is traditionally pro-Egyptian, and it is not unreasonable to see Egyptian influence behind the latest moves. Mr al-Mahdi is also anxious to preserve parliamentary government and not to let himself be dictated to by the armed forces.

The army for its part has little appetite for another coup which could easily precipitate a bloodbath, since Mr al-Mahdi has 20,000 armed supporters close to the capital. Such a conflict could quickly become internationalised, with Libyan forces intervening on one side and Egyptian on the other. Both sides have an overriding responsibility to avoid that. But on Mr al-Mahdi's side that can only mean that this time his effort to reach reconciliation with the DUP, and with the rebels in the south, must be swift, decisive and sincere.

Standards in UK schools

THE LATEST report from Her Majesty's Inspectorate makes some valuable and timely comments on education policy, but it fails to shed as much light as it should on standards in British schools. The Inspectorate's failure to provide even rudimentary statistics, despite visiting 50 per cent of state secondary schools, and its rather woolly language together represent severe shortcomings. If they are not put right in subsequent reports, it will be difficult to judge the success or failure of government policies. Such a state of affairs may suit politicians, but it will not help parents or children.

On policy, the report rightly stresses that an adequate supply of suitably qualified and motivated teachers is a precondition for the success of the recent reforms. Yet this is precisely the area where government policy looks least convincing. Over the next decade, competition for able graduates is going to intensify, yet there seems little chance that state schools will have the financial clout to compete effectively for staff. In the circumstances, the inspectorate fears that a "never mind the quality, feel the width" attitude will prevail. Yet if British schools are forced to recruit low calibre teachers, as they did with disastrous consequences in the 1960s, standards will not rise, regardless of the number of directives issued in Whitehall.

Serious shortages

The present position is not encouraging. The report notes that recruitment in London and the south-east is an "ever-growing" problem; some schools are already worryingly dependent on temporary and probationary staff. There are serious shortages of maths, science, craft and modern languages teachers. Even where there is no shortage as such, teachers frequently lack the relevant qualifications.

Shortages will affect the implementation of the national curriculum at all ages. But problems are especially acute in primary schools, which are "critically short of teachers with expertise in science, technology and maths." The inspectorate argues that many hundreds of small primary schools "have little scope to do more or other than what they do now." Yet ministers are blithely assuming that radical changes in the curriculum and ambitious testing and assessment techniques can be introduced.

At first glance, the inspectorate's comments on standards in British schools are reassuring. Parents will be pleased to hear that most of the work seen was judged "satisfactory or better," that the attitudes, behaviour and motivation of the "substantial majority" of pupils was good, and that most schools are "orderly communities" in which good standards of discipline prevail. But if British schools are so like their Japanese counterparts, what is all the fuss about?

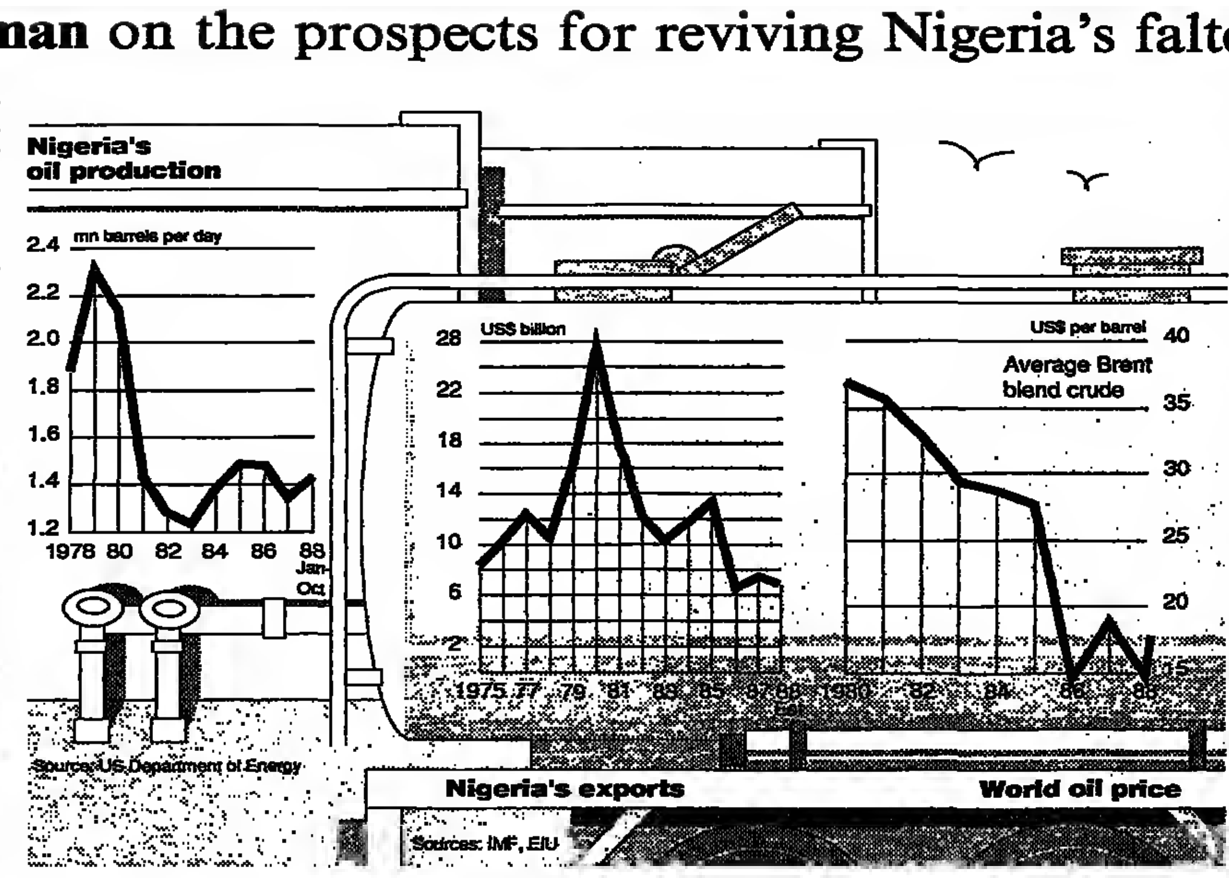
Paradoxical

The problem is that the report provides no guide to its linguistic conventions. The reader is not told what the satisfactory rating means. It seems paradoxical, for example, to say that basic standards in maths are satisfactory in primary schools when the inspectorate is also bewailing a critical shortage of competent maths teachers. It seems equally strange to assert that the quality of sixth-form work is generally satisfactory when, in more than half the lessons observed in recent years, "students played little active part and were too rarely stimulated or stretched by scholarly and challenging work."

There must be a suspicion that what the inspectorate deems satisfactory would be dubbed poor by non-educationalists. The inspectors ought to give objective information about standards and indicate how these compare with achievements abroad.

The comments about behaviour and discipline are equally confusing. Few parents are likely to recognise the claim that most state schools are orderly communities. In any case, how is this comment to be interpreted when the inspectorate, in the very next line, raises doubts about attendance rates, arguing that they are a cause for serious concern in some areas? The public deserves a better written and more precise assessment of school standards.

Michael Holman on the prospects for reviving Nigeria's faltering economy



The strains on an enfeebled giant

ONE of Africa's grandest white elephants is taking shape in Nigeria's Kwara State. The Ajaokuta steel plant lies beside the River Niger and has so far cost $3bn (£1.7bn). It is still incomplete and a further $1bn is needed to finish the first phase, now years behind schedule. If and when it is ever complete the scheme will, in the words of a confidential government report drawn up in 1984, be "uneconomic and will incur recurrent losses to the end of the century."

It is an appropriate symbol for a nation that likes to see itself as the giant of Africa, but is today enervated. The heady days when Nigeria's planners envisaged a technological leap into the 21st century, spending lavishly on strategic industries, are over.

The legacy will burden Nigeria for decades: a steel sector that will be a net consumer of foreign exchange; petrochemical plants that operate at a fraction of capacity, and are unlikely to be competitive on world markets; a telecommunication investment of at least $5bn which has yet to produce an efficient domestic or international service; and prestige projects, such as the multi-billion new capital at Abuja.

It is a legacy that also raises questions for the West. There is hardly a single trading partner which has not played a role, protected and encouraged by their governments' export cover facilities, in one or more of the many white elephants.

Supplier competition for lucrative contracts has often obscured broader assessment of whether a project is necessary or well planned. Even today that rivalry is at work, standing in the way of realistic appraisals – part of the work on Ajaokuta continues to receive cover from Coface, the French export credit agency – or preventing a tougher Western government response to Nigerian policy shortcomings for fear of prejudicing contract opportunities which are in the pipeline.

More than $100bn was earned during the oil boom years of the 1970s and early 1980s. Much was spent on ill-conceived and badly managed projects, often spurred on by overseas contractors. Some of the money created almost overnight an élite of Nigerian millionaires, enriched by kickbacks and patronage. Some of the money was better spent – on a national road network.

But the balance sheet is overwhelmingly negative. Today Nigeria is fettered by an external debt approaching $30bn. By 1987, annual per capita income had fallen to $370, making the country eligible for concessionary aid. An annual 3 per cent plus population increase has outstripped real GDP growth, and a demoralised, inefficient civil service has proved incapable of managing the growing crisis.

On paper a long-term solution exists. A structural adjustment programme, heavily underwritten by the World Bank and endorsed by the International Monetary Fund, has been in place since mid-1986. But it faltered last year – perhaps irrecoverably – as the Government introduced a reflationary budget. Inflation is now running at over 50 per cent and the official, ostensibly market-determined exchange rate of a little over seven naira to the dollar is undermined by a black market rate of around 10 naira.

What amounts to an international rescue operation led by Britain is getting under way, marked by a personal letter of support from Mrs Margaret Thatcher, the British Prime Minister, to Mr Ibrahim Babangida, the embattled Nigerian President, and meetings between Mr Nigel Lawson, the Chancellor of the Exchequer, and senior Nigerian finance officials.

Encouraged by this year's Nigerian bndget which attempts to pnt the adjustment programme back on track, Whitehall organised a donors meeting in January which pledged $600m to help close the 1989 financing gap.

After a lapse of a year, the IMF re-endorsed the government's policy, paving the way for a request to private creditors to reschedule government-guaranteed deht.

The omens, however, are not good. The IMF agreement, subject to review in April, specifically calls for a genuine market-determined exchange rate. It has been effectively broken already.

Many creditors are alarmed by Nigeria's failure to meet terms of the last rescheduling (arrears for the period mid-1987 to end-1988 total $380m) and angered by preferential treatment of Britain and France.

Nor is raising new money the only problem. If the adjustment programme is to be sustained, President Babangida has to administer a further dose of austerity measures to the long-suffering Nigerian people – notably increases in electricity tariffs and further cuts in the subsidy of domestic fuel.

Less than 10 years ago the picture was very different: the oil boom in the 1970s created economic and political muscle which Lagos did not hesitate to flex. Nigeria was a pivotal member of Opec, producing over 2m barrels of oil a day and earning $26bn in 1980. That year marked the peak of the country's fortunes. When a Nigerian oil minister hinted at price changes, or promised a "cent for cent" response to Britain's pricing of North Sea oil, the oil world followed avidly.

From being a modest market which depended on agricultural exports for the bulk of foreign exchange earnings, Nigeria becama a multi-billion pound customer, with imports reaching nearly $22bn in 1981. From Britain alone, Nigeria bought more than £1bn worth of goods and services, while Western investment was reckoned to exceed £5bn.

On the political stage, Nigeria exercised significant influence. It played a role in disputes in Angola and Rhodesia, nationalising BP in 1979 as an expression of displeasure over British failure to dislodge Ian Smith.

Today the realities are very different. Nigeria is no longer an influential

Relations with all Nigeria's trading partners have been deeply scarred

oil producer – it now needs the protection Opec provides. Under-investment in the oil sector during the boom years has taken its toll. If Iraq triggered a production war, Nigeria would be hard pressed to compete. Industry experts put current capacity at barely 1.6m bpd – well below the January 1979 production peak of 2.44m bpd. Nigeria's state-owned oil corporation is so strapped for cash it cannot meet its commitment to new exploration and development, which it should share with its foreign operating partners.

Nigeria as an export market has shrunk. Britain sells twice as much to South Africa as it does to Nigeria – and South Africa accounts for less than 2 per cent of Britain's exports. Nigeria's total imports came to $5.6bn last year. Imports from the UK were under £500m. Western investment – outside the oil sector – has been written down to a nominal amount.

Relations with all the trading partners have been deeply scarred hy the saga of trade arrears which built up in the 1980s. After years of negotiations, part of the arrears (the validity of claims worth $2-3bn were rejected by the Central Bank of Nigeria) were covered hy promissory notes with a face value of $4.8bn. They have already been rescheduled, and currently have a market value of one fifth that amount.

On the political front, whether in Africa or internationally, Nigeria now plays a comparatively small role. It has had little or no impact on developments in neighbouring Chad. Lagos had no significant part in the recent Angola-Namibia settlement. And the days when it suggested that European companies would have to choose between the then-lucrative Nigerian market and South Africa are long gone.

Nigeria has yet to adapt to a new reality. The government's attitude to foreign investment or IMF conditionality seems still rooted in the era of the oil boom, when the naira was almost at parity with the pound and the government boasted of economic sovereignty.

Recent much-vaunted improvements to investment terms are in fact marginal. The government etill refuses to borrow from the IMF and has missed – at least until 1990 – the opportunity to negotiate a loan under the fund's extended structural adjustment facility, which offers long-term loans on highly concessional terms.

But it can also be argued that the West has not adequately responded to the new reality, inhibited in its advice by a combination of political and commercial considerations.

President Babangida's bloodless coup in August 1985 was widely and warmly welcomed. It was clear that he would take the IMF medicine, and keep Nigeria in the Western camp. But he was also seen as the last bulwark between a conservative economic and political programme and younger officers who might adopt radical measures.

He is still seen in this light today. There is a school of thought in Western embassies that to be more forthright about the government's policy shortcomings would simply add to the prohlems of a man already under severe pressures.

Religious tensions between the predominately Moslem north and the largely Christian south, falling living standards and the intense politicking that is accompanying the phased return to civilian rule, due to culminate in presidential elections in 1992, add to the President's hurdens.

It was this attitude which helped determine the kid-glove, optimistic response of some influential diplomats in Lagos to the 1988 budget, which the government belatedly recognised as disastrous.

A similar exercise is again under way – although many more members of the diplomatic and donor community in Lagos are this time more sceptical. Efforts are made, for example, to withhold details of arrears, or defend an exchange rate policy patently at odds with the IMF agreement.

A further strand in Western policy lies in the vested interest of the World Bank – Nigeria's largest donor – and the IMF. Should the structural adjustment programme collapse, whether due to shortcomings in the administration or flaws in the policy itself, the repercussions would be considerahle. At the very least it would reinforce the widespread doubts in Africa about the merits of the reform medicine.

Hence the upbeat appraisal of the Nigerian economy, delivered to the January donor meeting by a senior official of the World Bank, is treated with caution by many economists in Lagos.

The third factor is a different type of vested interest: the fear in several embassies that a harsher appraisal of the Nigerian economy would prejudice bids from their nationals for multi-million contracts in the lucrative oil and gas sector.

It is open to question whether this strategy serves either Nigeria's interests, or the longer term interests of the West, which lie in the successful implementation of adjustment.

It is now unanimously agreed that the 1988 hudget knocked the programme off course. Would Nigeria be better off today if a tougher, more public appraisal had been made at the time, which in turn might have prompted an earlier corrective response from the government?

It may well be that the cautious, supportive and self-interested strategy of the West and the big lending institutions will pay off, and Nigeria will resume its laborious climb to recovery.

But there must also be a chance that the giant is enfeebled for many years to come, strained by the demands of a population that will increase from an estimated 115m to 280m by the year 2015, and still living with the legacy of Ajaokuta.

OBSERVER

Competition for Liesner

■ Hans Liesner – known for years as Mr Competition Policy – is to become a deputy chairman of the Monopolies and Mergers Commission whan he retires from the Department of Trade and Industry (DTI) at the end of the month.

Officially it is a half-time job, hut since last year was the MMC's busiest ever and there is no sign of letting up, Liesner is talking about three-quarter time. "At least I will no longer have to take work home at weekends, as now," he says. He will also be able to accept non-executive directorships, though would have to step down if the company became involved in references to the MMC.

Liesner was originally an academic, first at the London School of Economics, then at Cambridge. He moved to the Treasury in 1970. He has been deputy secretary and chief economic adviser at the DTI since 1976, the period when it was also the Department of Prices and Consumer Protection under Roy Hattersley. That was when Liesner started producing green papers on competition policy and restrictive trade practices. His expertise in the field is undisputed even if, as he would be the first to admit, competition policy is still less than perfect.

Liesner is 60 on March 30. He will join the MMC as an ordinary member and become one of the three deputy chairmen in the autumn in succession to Richard Smethurst, who is returning to Oxford.

Watching Tower

■ There is a potential defector in the Democratic camp who might yet vote for the nomination of John Tower as US Defence Secretary. He is Senator Charles Robb of Virginia.

The official reason is that Robb, a popular former governor of Virginia, believes in executive power and the right of the President to choose his own Cabinet. But there is a bit more to it.

Last year Robb fought a bitter Senate election campaign against a Republican opponent who accused him of attending cocaine parties in the Virginia beach area. Rohh disputed the allegations as rumour-mongering, declined his opponent's invitation to take a drug test, and won easily.

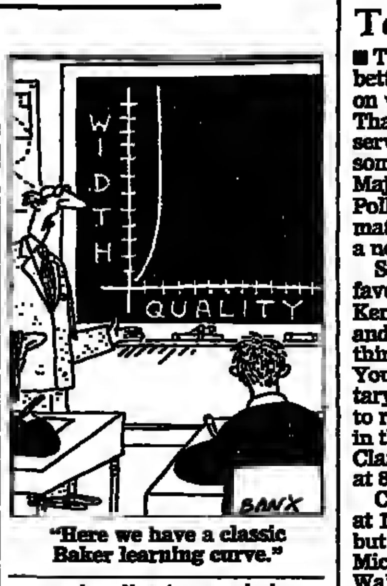
He says now that there is an element of trial by rumour in the campaign against Tower. Like several other Senators, he objects to the "moral McCarthyism" which has erupted in Washington ever since the exposure of Senator Gary Hart's sexual misdemeanours in the US press.

There may also be an element of self-interest. Robb is regarded as a near-certainty to run for the Democratic presidential nomination, either in 1992 or 1996. If he wants to prevent the future resurgence of the old Virginia beach allegations, he could use a vote for Tower as a vote for privacy. Better still, he could make an early break with Senator Sam Nunn of Georgia, who has led the attack on Tower and is a possible Democratic presidential rival.

There is a more down-to-earth explanation as well. Robb is married to Lynda Bird Johnson, daughter of President Lyndon Johnson who was succeeded in his Texas Senate seat in 1961 by John Tower. Texas ties run deep.

New Mr Coal

■ David Kendall is the second senior figure from BP to land a top job in a state industry on the road to privatisation. Last summer Cecil Parkinson, the Energy Secretary, appointed Bob Malpas, a BP



"Here we have a classic Baker learning curve."

managing director, as chairman-designate of Power-Gen, one of the successor companies of the Central Electricity Generating Board. The intention was to inject some of BP's competitiveness into a monopoly.

Parkinson evidently has similar hopes of Kendall, who was named yesterday as joint full-time deputy chairman of British Coal. The Corporation is preparing for some tough negotiations on its power station business.

Kendall, 53, left BP in December after 25 years' service, most recently as managing director and chief executive of BP Oil UK. He was a candidate for the chief executive post at the National Health Service. At British Coal, he will work under Sir Robert Haslam, the chairman, who was yesterday reappointed to serve until the end of next year.

Since the Government is more or less committed to selling the coal industry if it wins a fourth term, Kendall thus becomes a strong contender to succeed Haslam in spearheading what Parkinson has called "the ultimate privatisation".

Tory betting

■ There has been very little betting at Ladbrokes of late on who will succeed Margaret Thatcher as leader of the Conservative Party, although someone put £100 on John Major at 8-1 last week. So Ron Pollard, who looks after these matters, yesterday drew up a new book.

Sir Geoffrey Howe is the favourite at 3-1, followed by Kenneth Baker at 7-2. Major and Cecil Parkinson are joint third at 8-1. Then come George Younger, the Defence Secretary who would probably have to renounce a peerage to stay in the running, and Kenneth Clarke, the Health Secretary, at 8-1.

Chancellor Lawson is quoted at 10-1, along with the outsider, but almost certain candidate, Michael Heseltine. Peter Walker, the Welsh Secretary, is at 12-1. Anyone else will be quoted at 20-1 or above.

Readers may notice some omissions. Douglas Hurd, the Home Secretary, is surely worth a bet at (say) 15-1. And the real outsider whom I have always thought might actually win is Tom King, the Northern Ireland Secretary. He has three assets. Nobody has anything much against him. Unlike his predecessors, be has not wimped about his Ulster posting and would be happy enough to stay where he is beyond the next reshuffle. Thirdly, the Tory electoral system favours a compromise candidate winning on the third ballot.

Pollard says that, if asked, he will quote King at 33-1. Sounds like a good bet.

Usual story

■ A lady who was stopped by the police for driving erratically said: "I know, officer, I'm sorry. I just washed the car a couple of hours ago, and I can't do anything with it."

Lord Benson argues that proposed legal reforms in England and Wales will cause irreparable damage

A sacrifice to competition


Trevor Humphries
Set to change: the traditional way of life of the UK barrister

The radical changes proposed in the green papers on legal reform are based on the political dogma that competition must be advantageous. This can be a laudable objective, but, if imposed artificially without regard to the needs of the situation or to common sense, it does irreparable damage.

In imposing this dogma, the green papers fail to recognise that strong competition already exists in the provision of legal services for the public; there is a wide choice of services for the consumer, particularly in the specialisms provided by the Bar; and all the professions must be subject to certain restraints for the protection not of the members, but of the public they serve. Let us examine the proposals.

Professional codes of practice, covering any form of legal advice for reward and for anyone who wishes to practice in advocacy, will be set by the Lord Chancellor by statutory instrument, after advice from a part-time advisory quango. Under similar advice, the Lord Chancellor will decide what is a specialism in legal services and the appropriate qualifications and codes of conduct.

Advocacy in the courts will be open to everybody, whether they have trained as lawyers or not. The criteria will be that the individual has the appropriate education, training and qualifications, and is bound by an appropriate code of conduct; different requirements will be set for different individuals and different courts. The Lord Chancellor, under advice from the quango, will fix these criteria. Advocacy certificates will be required, which will be issued by various professional bodies, provided that the Lord Chancellor, under advice from the quango, approves the bodies. The bodies must show that they have "adequate arrangements in operation, both to ensure a practitioner's competence and to monitor his performance as a practising advocate." The green papers are silent as to how the monitoring is to be achieved.

The power to issue advocate certificates will be given to the Bar, the Law Society and to "a variety of professional bodies". These so far remain unspecified, but an indication of possibilities lies in the "providers of legal services" listed in the green papers. These include notaries, legal executives, licensed conveyancers, patent agents, insolvency practitioners, banks, building societies, accountants, chartered secretaries, law centres, citizens advice bureaux, trade unions and the Royal British Legion.

The green papers are also silent as to how the "variety of professional bodies" will find the resources to undertake their duties, and who will remunerate students during the probationary years. The proposals have not been thought through clearly or with any understanding of what happens in practice. Common sense dictates that the quality of persons sponsored by the "variety of professional bodies" will be inconsistent and that a general lowering of the service which in future is to be provided by a "lawyer" is inevitable.

The Lord Chancellor is incapable, given his many other responsibilities, of acquainting himself with, or making decisions on, the detailed administrative tasks he proposes to take on. In practice, the work and many of the decisions will devolve on a raft of civil servants in the quango and on a further supervisory raft of civil servants in the Lord Chancellor's Department. These persons will not be, and some of them will never have been, engaged in the practice of law, and they will not have any experience of governing a profession, or indeed any other business.

Independence is one of the great privileges and obligations of a profession. It is particularly important in the legal profession, where the scales of justice have to be held evenly by all those engaged in it. Dominance by forces outside the profession, and conflict of interest within it, are unacceptable. Independent professional advice, particularly in the law, is the right of everyone who has occasion to use it.

The Bar Council, the Law Society and the variety of other professional bodies yet to be formed will lose their independence, because the control and conduct of the legal profession will be taken out of their hands.

The various professional bodies which will exist in the future will be the creatures of the Government to do its bidding. Power and authority over a very large area of activity which is concerned with the administration of justice will be concentrated in the hands of the Government in the titular name of the Lord Chancellor. The position is exacerbated because the Lord Chancellor also controls legal aid and makes appointments to the judiciary. Many issues require lawyers to question, in the public interest, the actions of the Government and their independence should not be put in jeopardy when they oppose the views and wishes of their future master.

The independence of the legal profession will be damaged in other ways. As explained later, fusion will impair the independent services presently provided by the Bar. The green papers propose the introduction of contingency fees which, once permitted, would spread like a cancer, never to be eradicated.

The effect is that both the lawyer and the plaintiff combine together as a team to scavenge what they can out of insurance companies. The independent and detached attitude which is needed in a professional person who is advising a client, and particularly when presenting a case before the courts, is discarded. It is a nursery for corruption.

A profession needs stability and freedom from interference by capricious political decisions. In this respect, there is no room for confidence in the future direction of the legal profession. The policies of the present Lord Chancellor reverse the policies of the last but one Lord Chancellor, although they are both members of the same Government.

Moreover, the policies will change every few years in future as the government changes. Only three years ago the then Lord Chancellor was taken to the High Court by the legal profession, on the grounds that he was not discharging his responsibilities adequately in relation to remuneration payable to lawyers in the legal aid service. A year ago the present Lord Chancellor was responsible for removing from the statute book the expression "fair remuneration" for legal services because he did not know what the term meant. Under direction from the Treasury, the inadequate remuneration he is prepared to allow is driving the best brains out of the legal aid service.

The rules of procedure in the courts are primarily the responsibility of the Lord Chancellor. But they have been out of date, not for years, but for decades, and a heavy burden of time and costs has been wasted. This dismal record of achievement is a bad augury for the future administration of the legal profession.

The green papers are designed to mix the two existing branches of the profession, the Bar and the solicitors, and this will eventually bring about their fusion. The consequences of fusion have been examined on many occasions, not least by a former Lord Chancellor, Lord Gardiner; it will have the effect of restricting the choice available to clients; reducing competition within the legal profession; and diminishing the specialisms which are presently available for the user of legal services.

At the time of the Royal Commission on Legal Services (completed in 1979), fusion was rejected by the Bar and the solicitors, particularly the very large number of small solicitor firms, whose practices would be seriously damaged by the absence of the independent Bar. Users expressed a clear wish to the Commission to preserve the independent services and the freedom of choice presently provided by the Bar.

There is another unhealthy aspect. The judiciary in the superior courts has always been drawn from practising barristers, whose competence is forged in the hot furnaces of public practice, where their ability is tested by the judiciary, fellow practitioners and the public. In future the judiciary will be barristers or solicitors, or persons who are neither but are described in the green papers as "lawyers"; their admissibility will be primarily based on the advocate certificates issued to them by "the variety of professional bodies". The quality of persons who will in future be "lawyers" and issued with advocate certificates, will be inconsistent and uneven and this widening of choice will damage the quality of the judiciary.

The professions provide for society a solid background of skills, service and discipline. The Royal Commission's inquiries showed that the legal profession emerged with a good record, and that it was respected not only in this country, but abroad. Instead of building on the existing structure of the legal profession, which would be the sensible way to proceed, the green papers propose radical changes, without the necessary research or the benefit of experience.

The proposals which are objectionable are the intention of the Government to run the legal profession itself (a task in which it has neither experience nor competence) and to erode its independence. Other bad features are the *dirigiste* policies which the green papers display; the creation of a part-time quango, which is ill-fitted for the task; the damaging effect of the fusion of the two existing branches of the law; the increase in bureaucracy and a new raft of civil servants; the erratic quality of advocate certificates; and the debasement of the quality of the judiciary.

The Government could do so much to streamline the whole legal process and it is depressing to watch it sacrifice the legal profession on the shrine of political dogma called competition.

The author was formerly President of the Institute of Chartered Accountants in England and Wales (1966-67) and Chairman of the Royal Commission on Legal Services (1976-79)

LOMBARD

A monopoly over language

By Judy Dempsey

ONE ESTONIAN with a close interest in political euphemisms may well be musing about what is taking place in another part of Europe. The Czechoslovak authorities, besides slapping a nine-month prison sentence on Vaclav Havel, that gentle, internationally-renowned playwright, have spent the past few days accusing eight decent people of "hooliganism".

The Czechoslovak leadership has never tried to define the precise meaning of hooliganism. To do so would be to question the Communist party's monopoly over language.

Language became an important and legitimising vernacular after the Communist takeover of Eastern Europe in 1948. Just as Communist-sponsored "rent-a-crowd" brigades pulled thousands of people out of factories and offices to march in supposed celebration of Stalin's birthday, so too the Communist media went to extremes in imposing their own special vocabulary on Eastern Europe. Rather than daring to use "bourgeois" words like liberalism and individualism, the Party became obsessed with creating the New Socialist Man; with it came the Communist lexicon, rich in superlatives. They are all positive ones, at that – best expressed in the titles of the Party daily newspapers, many of which are called "Truth", as if to question the existence of any other.

Few East European societies could prevent the public distortion of their own language, let alone escape into their private world where even family life was manipulated by the Party-controlled radio, television and newspapers. Only recently a liberal Hungarian journalist casually referred to the 1956 uprising as an *Ellenforradalom*, counter-revolution. He quickly checked himself. "For the past 30 years this was the only word I was allowed to use. After years of having a certain language pumped into you, it is not easy to use 'real' language."

There have been exceptions. The Poles, with their deep loathing of Communism and anything Russian, resorted to nationalist symbols, natural rebelliousness, underground publishing and the Catholic Church to retain an "independent" and non-ideological language as a means of challenging Party control over the "truth". The Czechs, despite 1968, have preserved their language and culture by seeking silent refuge, like Havel, in their weekend cottages. The Hungarians have exhausted themselves in the masochistic *masodik gazdasag*, or second (black) economy. Making money is their new language.

But now that Mr Gorbachev seeks to open up on almost everything, he is implicitly calling for the dismantling of the Party's monopoly on language. He reckons that without this development there can be no ideas, no conflict of views, no democratisation.

Earlier this month Mr Guido Ilves, a journalist on Maaleht, an Estonian daily, wrote an article in terms which amounted to an appeal to his readers. "We are publishing a small selection and, relying upon the readership's active co-operation in the future to improve the collection, the world's first lexicon of political euphemisms could soon appear in our bookshops." He said it would be an invaluable aid, because many people have "difficulties in interpreting political euphemisms."

To prove his point, the Estonian took to his pen. Remember that oft-quoted phrase, "temporary difficulties"? In real-speak, Mr Ilves says it means "chronic shortages of essential goods and foodstuffs." Freedom of the press means "the opportunity to work in a printing shop."

Ever wanted to know what the fulfilment of internationalist duty meant? "Direct and indirect interference in the domestic affairs of other countries proceeding from great power ambitions and the export of ideology." As for the euphemistic "woman of weakened social responsibility" – the real word is prostitute.

Mr Ilves even discovered that "hooliganism" is a euphemism for "a demonstration of workers in a socialist country defending their rights." The Czech authorities may not be pleased with Mr Ilves's efforts. Nevertheless, he awaits a lively correspondence.

LETTERS

Under an EC flag

From Mr W.A.N. Jones.

Sir, Your report (February 27) indicates that the European Community is planning subsidies on European shipping to maintain European seafarers' jobs. This is clear indication that the economic policies of the EC are old-fashioned protectionism and mercantilism, in spite of the frequent denials by their spokesmen.

The next thing we shall find is that traders in the EC are under pressure to use the flag. This is the practice among some other countries, and the UK has refused, correctly, to operate any such scheme.

In fact the EC will be trying to persuade the business community to invest in shipping, when it is obvious that there is doubt about ability to compete. This will result in the wrong allocation of resources in the Community, with the result that, taken as a whole, we shall all be less able to compete.

If the European Commission wishes to safeguard seafarers' jobs, then it should abolish the common agricultural policy (CAP), which has reduced the tonnages of agricultural and dairy produce imported into the UK and other parts of the EC. Liverpool was the port of entry for produce from all over the world before the CAP was introduced, and a great deal of Liverpool's problems are of our own making; Liverpool's livelihood was destroyed, as an act of policy.

I am particularly saddened by the fact that this scheme appears to have originated with an EC commissioner from the UK, Mr Stanley Clinton Davis. What can he have been thinking of?

W.A.N. Jones,
The Free Trade League,
Tower House,
Whetstone, N20

Iron fist in the air

From Mr A.J. Lucking.

Sir, Anatole Kaletsky's excellent analysis (February 25) demonstrates clearly the need for "iron fist" regulation of air transport in Europe.

Airport and airspace bottlenecks are preventing competition here already. The most obvious demonstration is that British Airways (BA) continues to make good profits, even though Sir Colin Marshall recently told his staff that BA has to charge £100 to make the same profit as its US competitors achieve with a fare of £80.

Unless he can cut his costs by 20 per cent rather than the 10 per cent he is demanding, his only hopes are that the would-be UK competitors are frustrated by infrastructure deficiencies, and that he can throttle low cost competitors from the Far East by lobbying the Department of Trade and Industry. (My nightmare is that his hopes will be fulfilled.)

For years I believed that Sir Sefton Brancker's 1920s dictum was out of date: "Healthy competition has always been considered the only sure preventative to inefficiency, slackness and dishonesty: air transport, however, is an exception." Observing the disappearance of so many competitors in the US, and the impact of airport and airspace deficiencies, I am convinced that the Civil Aviation Authority (CAA) and its European Community successor have to become very tough surrogates for competition.

The CAA could make a good start by assessing proposed fares against the costs of the "efficient operator" specified in the UK Civil Aviation Act, rather than the actual costs of BA, as it does at present.

A.J. Lucking,
Flat 22,
17 Broad Court,
Bow Street, WC2

Stamped by surprise

From Mr Sam Franks.

Sir, Most readers who accept the challenge of your crossword will have forgotten the clues of February 15 – as well as those answers they managed to find. Permit me therefore to jog some memories: the answer to 25 across was "enstamps" – a word which does not appear in any of my dictionaries, but which can be allowed on the basis of crossword compiler's licence.

More interesting (if not astounding) was the clue, which will remain enstamped on my memory forever: "working spent Sam Franks".

Sam Franks,
106 Theobald Street,
Borehamwood, Hertfordshire

Little league airports

From Mr R.K. Cox.

Sir, One point not dwelt upon in Anatole Kaletsky's useful article on US airline deregulation and its effects (February 25) is the growth of secondary airports near large population centres in the US.

Two examples spring to mind: Chicago's Midway, and Newark, in New Jersey. Both of these airports are somewhat difficult to reach compared with their main competitors – Chicago's O'Hare, and JFK, New York – but are growing into secondary hubs which allow smaller niche airlines to obtain gates more easily.

R.K. Cox,
Costells, 30 London Road,
Weterham, Kent

Disarray in ET

From Mr R.H.B. Devereux.

Sir, The article by Fiona Thompson describing the disarray attending the Employment Training Scheme (ET) touched only upon the tip of the iceberg.

This and similar schemes are supposed to be Government schemes, carrying out Government policy through Government programmes, and financed by Government money.

In practice the Government (through the Training Agency) exercises considerable control over the schemes, which are wholly implemented by agencies such as local authorities and voluntary bodies – but the Government washes its hands of financial risk by offering a non-negotiable contract which leaves the agents to pick up the bill if anything goes wrong. It has gone very wrong in the case of employment training.

It is, surely, utterly unreasonable for the Government to expect other bodies to pick up the bill for its mistakes. Agents accept their obligation to run the scheme efficiently, at minimum cost consistent with quality, and in accordance with the parameters laid down. The nationwide disarray in the ET programme proves that it is not individual agencies at fault, but the parameters and calculations of the Training Agency.

There is nothing wrong with the scheme – only the financial arrangements enforced by the Training Agency. ET can proceed, flourish, and bring new hope to many people if the Government is prepared to ensure that no agency receives less than full recompense for their efforts on its behalf.

R.H.B. Devereux,
The Red House,
Fairmoor,
Morpeth, Northumberland

Degree of adaptability

From Mr David Critchley.

Sir, The report on education and training by the Roundtable of European industrialists (FT report, February 23) seems irrelevant, if not pernicious.

"Common core curricula should be established to encourage the free movement of labour." Are employers failing to recruit nationals of other European Community countries because basic physics is taught differently in those countries?

"Industry's influence on the curriculum should be increased." No one can predict the future career of a given pupil; the wise teacher encourages the ability and alertness which will be required in all fields. How to encourage is a matter of teaching technique, which the industrialist would do well to leave to the teacher.

"Professional competence acquired in work must be treated as credit towards a degree." A degree indicates that the graduate has completed a course designed to develop intellectual faculties to a certain level and exercise them in a general way. What is to be gained by confusing graduates (a group much in demand among employers) with those whose minds have been formed by the habits of a particular profession? (And are there really employers who reject professionally competent staff because they do not have a degree?)

"Teachers must be retrained to keep them in touch with changes in the world of work." However the world of work is organised now, it will be organised very differently in 30 years' time. It is better to teach pupils to adapt than to prepare them, however well, for the conditions of a single period.

David J. Critchley,
38 Longlands Court,
Winslow, Buckingham

FINANCIAL TIMES
Wednesday March 1 1989

Soviets offer to mediate over Tehran's death threat

By Robert Mauthner, Diplomatic Correspondent, in London

THE Soviet Union yesterday indicated it was willing to help defuse the international furore over the publication of Mr Salman Rushdie's book *The Satanic Verses*, after the Iranian parliameot had voted to sever all diplomatic ties with Britain.

The parliament (Majlis) nevertheless gave the British Government a week to reconsider its condemnation of the death order proooimced against Mr Rnshdie by the Ayatollah Ruhollah Khomeini, Iran's spiritual leader, before finally implementing the break in diplomatic relations.

There was no indication that the British Government, which last week withdrew its five diplomats from Tebran and ordered bome Iran's two eovoys in London, was prepared to take such a step. "It is for Iran to decide whether she wants normal relations," e Foreign Office spokesman said yesterday. "If she does, she must renounce the nse or threat of violence against citizens of other countries."

The spokesman said that Sir Geoffrey Hows, the Foreign Secretary, had made Britain's position clear a week ago when he said that Iran's actions "led the Government to conclude that it was neither possible nor sensible to conduct a normal relationship with Iran."

Mrs Lynda Chalker, a junior Foreign Office Minister, said after the vote by the Iranian parliameot that "it certainly does not alter the position that no country or religious leader of any country has the right to incite murder in another's territory."

Soviet concern at the turn events were taking was expressed by Mr Gennady Gerasimov, tbe Soviet Foreign Ministry spokesman, who said that Mr Eduard Shevardnadze, Soviet Foreign Minister, had discussed tbe row over the Rushdie novel during talks in Tehran with Mr Ali Akbar Velayati, the Iranian Foreign Minister, and Hojatoleslam Ali Akbar Hashemi-Rafsanjani, the Parliament's Speaker.

"The Soviet side gained the impressioo thet the Iranian Government wants a solution and believes the Soviet Union could have a positive role in achieving this," Mr Gerasimov said. The Soviet spokesman declined to elaborate, but said the matter would be raised at talks in Moscow this week between Mr Shevardnadze and Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister and current chairman of the European Community's Council of Ministers. It would also be raised by the Soviet Foreign Minister at talks in Vienna next week with Mr James Baker, the US Secretary of State.

Mr Velayati, who has been criticised recently by hardline members of the Iranian ruling establishment for his more conciliatory policies towards the West, yesterday rejoined the conservative fold during the debate in the Majlis. "We agree with the proposal (to sever diplomatic relations) and in future this will be our stand towards any country which attacks Islam and Islamic sanctities," Mr Velayati said.

Church for sale: owner in decline

Kieran Cooke examines the retreat of the Church of Ireland

FOR SALE: St George's Church in central Dublin. Described as a Greek Ionic gem, the church comes complete with fluted columns, s 200ft spire, detailed stained glass windows and pew space for a congregation of more than 600. Those interested, says the estate agent's sales details, should not assume that the church furnishings, organ, memorials or the bells will be included.

St George's belongs to the Church of Ireland, which represents the bulk of Ireland's minority Protestant population. Faced with falling congregations – attendance at St George's last Sunday was made up of 45 mostly elderly parishioners – and chronically short of funds, the Church of Ireland hierarchy is faced with either closing or selling off many of its churches, probably 100 in all.

One Dublin churcb has already been converted for use as a warehouse for light fittings. Another is to become a local enterprise centre, another a decorating shop. A former Presbyterian church has been converted into Dublin's first mosque.

Many feel Ireland is in danger of losing its architectural heritage. A combination of state neglect, developers' greed and public lack of interest has destroyed mnch of inner-city Dublin. The Protestant middle classes have either emigrated or moved out to the suburbs. The graceful Georgian terraces which surrounded St George's have been long since knocked down.

The Church of Ireland seems resigned to facing modern day realities. In 1911, the last census year before the foundation of the Irish state, there were 250,000 members of the Church of Ireland; 8 per cent of the total population, in the area which now makes up the Republic of Ireland. In 1981, the last census year in which details of religious affiliation were requested, there were 95,000 Church of Ireland members; 2.8 per cent of the population. The number of Roman Catholics has been growing and makes up more than 95 per cent.

The Rev. Gordon Linney, Archdeacon of Dublin, says alternative uses have to be found for St George's and other churches. "These are very painful decisions but we have to make them. St George's alone would cost at least half e million pounds to restore," says Mr Linney. The Irish constitution forbids state endowments to "any religion".

The Church of Ireland owns the majority of churches of architectural distinction in the Republic. Mr Linney and others argue that preserving St George's and other churches is not merely a question of religion. It is also a matter of preserving Ireland's history, a benefit to culture and to tourism.

There are hopes that European Community funds might be used to help restore some churches. The Church of Ireland has been one of the main agents of conservation in Ireland, argues Mr Linney. Efforts are being made to ensure that churches such as St George's are put to suitable use.

For many years, Protestants in the Republic have been fighting to retain their identity. Identified with the old British order, many left in the years surrounding the foundation of the Irish state in 1922. Many died in the First World War, as the long roll of honour in St George's of those who died "for King and Country" shows.

In the 1920s, many Protestant families were burnt out of their bomes. Today their descendants often feel caught between two worlds – Irish in England, but often described as "West Brits" in Ireland. Although the Irish state has always preached religious tolerance and understanding, many Protestants have seen their progress handicapped by their religious affiliation.

In the early days of the state, regulations on knowledge of the Irish language excluded most Protestants from the public service and legal professions. The Roman Catholic church was seen to have an increasing influence over legislation. W. B. Yeats, the poet, himself a Protestant and a member of the Irish Senate, spoke against anti-divorce legislation in 1925: "It is tragic that within three years of this country gaining its independence, we should be discussing a measure which a minority of this nation considers grossly offensive."

Legislation forbidding divorce was eventually passed in 1937 and still stands. Laws were also introduced banning contraceptives and forbidding the publication of many books contrary to Roman Catholic church teachings.

Dr Douglas Hyde, a Protestant, was the first President of the Irish state. Yet during his funeral service in 1949, the entire Cabinet sat ootside St Patrick's Church of Ireland Cathedral in central Dublin for fear of eternal damnation.

Mnch has changed: the Roman Catholic church no longer has the omnipotence it once took for granted. Roman Catholic churches in inner Dublin are also faced with declining congregations. But in many areas, Protestant influence has diminished. Today there is only one Protestant in Dail Eireann, the lower house of parliament.

Inter-marriage has become increasingly common in recent years. The Roman Catholic church seeks assurances that the children of such marriages be brought up as Roman Catholics. Thus Protestants have been absorbed into the majority faith.

The Church of Ireland rejects talk of it having no future in the Repnblic of Ireland. A revival of sorts is under way. People are becoming more ecumenical in their outlook. Mr Linney says many parishes in the suburbs of Dublin are now trying to cope with problems of expansion.

"As in so many sectors of life, the Church of Ireland is engaged in a rationalisation programme. We risk being misunderstood and have to be brave. But there is no alternative. Inner-city decay has forced the closure of many Dublin churches. Many country churches, like corner shops, have become redundant in the age of the motor car."

Fragile voices sing the closing hymn. The mighty organ echoes round empty pews. For the few elderly people making up the congregation at St George's, it is all very sad.

St George's church: potential for tasteful modernisation

Efta plan for customs union with EC

By Robert Taylor in Stockholm

LEADERS of countries in the European Free Trade Association (Efta) are seriously considering proposals to establish a customs union with the European Community, according to a document leaked yesterday in a Norwegian newspaper. The plan will be discussed at a special Efta heads of government summit in Oslo next month.

It suggests that a common and unified European economic market should be created with the free movement of goods through a customs union as well as the free movement of services, capital and labour between the countries of the two blocs. If the Oslo conference agrees to this proposal, it will require a dramatic strengthening of Efta as a unified bargaining organisation in discussions with Brussels.

The leak is an acute embarrassment to Mrs Gro Harlem Brundtland, the Norwegian Prime Minister, who is president of Efta for the first six months of 1989. It is her personal initiative that is bringing leaders together to discuss how to respond to the growing challenge of the EC's drive to a free internal market by 1992.

The readiness of the Efta secretariat in Geneva to suggest such an idea indicates just how far it is prepared to go to meet in a positive fashion the overture to the non-EC Western European states made by Mr Jacques Delors, the European Commission president, in an address to the European Parliament on 17 January.

On that occasion he called for the creation of a "new, more structured relationship" between the EC and Efta "with common decision-making and administrative institutions." This would require, Mr Delors argued, a strengthening of Efta's structure.

However, the customs union idea is bound to raise a serious internal debate among the Efta countries. At the moment Efta itself has a free trade in manufactured goods between its members but not in agricultural produce. Moreover, any customs union between the two areas would involve problems of harmonisation. It would also involve a willingness by all the Efta countries to give up more of their individual national sovereignty in the bargaining process.

On the other hand, the customs union idea does have some obvious attractions to many members. It could enable them to establish the economic benefits of being part of the wider market but without compromising on their political independence.

Whether the EC would be prepared to accept such an outcome is debatable, and critics in the Nordic area are already mobilising against such a proposal.

Nevertheless, the dynamic of 1992 has forced both sides to try to build logically on what could be a convergence between the two, and Efta recognises that, if its members do not stand together, then individual countries will push ahead with bilateral arrangements with the EC.

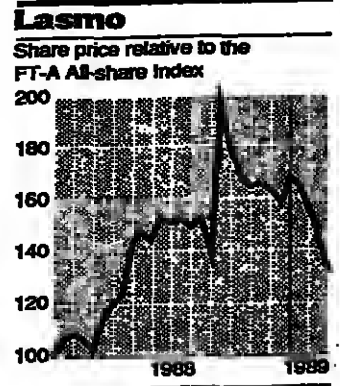
THE LEX COLUMN

Lasmo's call gets a dusty answer

Lasmo may argue thet British barrels work harder for the company's share price than oil produced under an Equatorial sun, but there was little evidence of it in yesterday's market. In time, investors may well applaud the shift in assets towards a mixture which they find easier to value; but yesterday they were more annoyed at being asked to pay for the new assets than excited by the fact that Lasmo was rediscovering the virtues of domesticity.

Lasmo

Share price relative to the FT-A All-share index



Indeed, yesterday's 6¼ per cent fall in the Lasmo share price probably reflected three parts simple irritation for every one part genuine concern over the merits of the deal. After all, the market had grown used to thinking of Lasmo, shorn of its Enterprise links, as a company with cash and near-cash to spend – not as one which would test the evailability of new funds, albeit at a knock-down price. Indeed, the annoyance of shareholders who bought nearly 30 per cent of the company last October for 505p was guaranteed by the near 10 per cent fall in the share price even before tha call.

But if the market's reaction was understandable, that does not make it reasonable: Lasmo and its advisers probably deserve the benefit of the doubt when they argue for the tax efficiency of the funding package. As for market concern over the price of the assets, that was probably inevitable. It is a rare company which can persuade the City that it has triumphed in an euction without offering a price which is at least some way over the odds - to the joint benefit of International Thomson and the general market for good quality North Sea assets. Whether Lasmo itself becomes a more marketable commodity because of the deal must remain e moot point, however, at least until it is clear whether a predator values the deal more highly than the market.

Unilever

The great re-rating of Unilever's shares seems well and truly over, for a mixture of good and bad reasons. The company used to be seen as a huge but passive component of the world economy, with sales volume inexorably chugging ahead and margins fluctuating with the OECD cycle. The company is deeply convinced that it is different this time round, if only because a number of its commodity businesses – transport, packaging, oil milling and so forth – have gone for good. But ICI and British Steel would make similar claims; and though Unilever is e very modified cyclical by comparison, the market may wait for the next downturn before committing itself.

There is a better and more specific reasoo for caution. Unilever's big achievement in the mid-1980s – as recognised in the share price – was its final break-through in the US market. But acquisitions apart, the US must be slower going from now on; and though the focus is now on the Far East, where this year's sales of £1.5bn will be triple those of 1985, that is an untried market by comparison. And in Europe, which stubbornly continues to make up nearly 60 per cent of profit, the single market may be more threat than opportunity for a group with Unilever's huge market shares, and with 200 factories scattered around the continent.

Yesterday's 13p fall in the shares, to 523p, was less to do with such matters than with footling disappointment over the exact pre-tax figure and the scale of exceptional profits. It is also worth recalling that while the shares have outperformed the London market by almost 10 per cent in the past three months, they have underperformed in both Amsterdam and New York. At just over 10 times this year's earnings, they are scarcely expensive, bnt unlikely to return to fashion just yet.

STC

Is STC going to be aggressor or target in the reorganisation of the European electronics industry? It is a qnestion which puzzles the stock market, and helps explain why the shares have performed so poorly relative to the rest of the sector over the last year. As yesterday's 1988 results testified – pre-tax profits rose 22 per cent and the dividend was up by 29 per cent – STC's financial recovery cannot be faulted. Four years ago the company's very survival was in question. Today it is earning over 40 per cent per annum on capital employed and has close to £300m of net cash in its balance sheet, plus another £1bn of borrowing facilities.

It is a conservative company whose tight control of costs allowed a 16 per cent increase in ICL's profits to £129m, when rival European computer gronps harbouring mnch grander embitions, like Nixdorf and Norsk Data, have been badly battered. However, the room for further margin improvement must be limited. ICL's sales growth has slowed to a snail's pace, and while turnover of STC's communications businesses grew by close to 50 per cent last year, they are largely confined to a couple of very successful niche areas.

There are plenty of companies, from IBM downwards, which have yet to prove that there are any real benefits of having computer and communications businesses under the same roof. This helps explain the recurrent speculation about the future of ICL. It remains the group's single biggest business, but it is too narrowly based. Despite its refusal to get involved in speculative bids, even STC cannot ignore the changes now under way in its industries. A prospective multiple of 10¼ suggests that for the moment it is not an obvious target.

Compagnie du Midi

It would not have taken much clairvoyance to predict nine months ago that the presence of two such strong personalities in Compagnie du Midi as Messrs Pagezy and Bébéar would end in irreconcilable differences. They seemed to share not only a deep personal animosity, but a fairly fundamental difference of views over whether Midi ought to pursue its destiny as an insurance company, or as something else altogether. That something else now seems to have been consigned to history, and Midi may need to shed some industrial stakes to confirm the fact. But the chances are that the company will be able to face up to the anxieties of 1992 in the insurance world better without them anyway.

AT&T and Zenith launch US challenge in high-definition television development

By Louise Kehoe in San Francisco

American Telephone and Telegraph is to co-operate with Zenith Electronics of the US in the development of high definition television (HDTV) technology. The partnership represents an important industry initiative to establish a US role in what is expected to become a buge new market for advanced television sets and transmission equipment.

The US Commerce Department has projected that the world market for HDTV will grow to $40bn by the turn of the century, with about half of that in the United States.

Japanese and European electronics manufacturers are far ahead of the US industry in the development of HDTV, and this has raised serious concerns in both the US industry and government that American companies will be left out of a major technology development with significant implications for computers and defence electronics equipment as well as consumer electronics.

The industry initiative comes as Congress is about begin hearings on HDTV that are expected to focus upon proposals for a government-funded industry consortium aimed at ensuring that US companies play a major role in the emerging market.

Both Zenith and AT&T have been involved in developing an industry plan for a government backed consortium.

By joining forces on HDTV technology development, AT&T and Zenith have demonstrated their determination to advance US HDTV technology, a move that is expected to be welcomed by Congressmen considering the possibility of funding an industry consortium.

In the meantime, the AT&T Zenith partnership should provide a significant boost to Zenith's HDTV development efforts by adding the technical resources of AT&T's world-renowned Bell Laboratories as well as AT&T's Microelectronics group, which develops microcircuit chips.

Zenith is the sole remaining US-owned television set manufacturer. The company recently reported its first annual profit since 1984. "The lack of profitability in the US television industry has made it very difficult for our industry to fund the development of HDTV," said a spokesman for Zenith. "We cannot do it alone."

Together, AT&T and Zenith have submitted a proposal to the US Defence Advanced Researcb Projects Agency (DARPA) for a $13m research contract to develop an HDTV transmission system. The total cost of the project will be $24m, Zenith said.

In addition Zenith will separately undertake a $21.5m project to develop large screen computer display technology.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	S	14	57	Malta	S	17	63	Rhodes	F	17	63
Algiers	F	20	68	Edinburgh	C	5	41	Manchester	R	6	43	Rio de Jo	C	35	95
Amsterdam	S	7	45	Faro	F	17	63	Manila	C	24	75	Rome	C	14	57
Athens	S	16	61	Florence	C	11	52	Melbourne	C	33	91	Salzburg	C	7	45
Bahrain	S	21	70	Frankfurt	F	5	41	Mexico City	F	23	73	San Francisco	C	9	48
Bangkok	F	34	93	Funchal	C	17	63	Miami	C	21	70	Seoul	F	9	48
Barcelona	S	18	64	Geneva	R	5	41	Milan	S	11	52	Singapore	C	31	88
Beirut		–	–	Gibraltar	C	16	61	Montreal	Fg	-8	18	Stockholm	C	3	37
Belfast	F	6	43	Glasgow	R	6	43	Moscow	Sn	0	32	Strasbourg	C	6	43
Belgrade	S	15	59	Guernsey	F	5	41	Munich	C	3	37	Sydney	S	26	79
Berlin	F	8	46	Helsinki	C	3	37	Nairobi	S	28	82	Taipei	F	25	77
Biarritz	R	10	50	H. Kong	S	23	73	Naples	C	13	55	Tangier	C	10	50
Bombay	S	30	86	Innsbruck	C	4	39	Nassau	F	20	68	Tel Aviv	S	20	68
Bordeaux	C	11	52	Inverness	F	4	39	New Delhi	S	24	75	Tenerife	D	18	64
Brussels	C	5	41	Islamabad	F	21	70	New York	F	0	32	Tokyo	F	13	55
Budapest	F	6	43	Istanbul	F	12	54	Nice	S	14	57	Toronto	Sn	-10	14
B. Aires	F	27	81	Jakarta	R	29	84	Nicosia	S	21	70	Tunis	F	18	64
Cairo	S	31	88	Jersey	F	9	48	Oporto	R	14	57	Valencia	S	20	68
Cape Town	F	26	79	Jo'burg	F	21	70	Oslo	C	4	39	Venice	F	11	52
Caracas	C	25	77	Lima		–	–	Paris	C	6	43	Vienna	F	10	50
Casablanca	F	17	63	Lisbon	F	16	61	Peking	S	9	48	Warsaw	F	6	43
Chicago	Sn	-6	21	London	S	8	46	Prague	R	4	39	Washington	C	6	43
Cologne	F	6	43	Los Angeles	C	13	55	Reykjavik	S	-5	23	Zurich	R	6	43
Copenhagen	C	5	41	Luxembourg	S	3	37								
Corfu	F	12	54	Madrid	F	14	57								
Dallas	D	5	41	Majorca	S	15	59								
Dublin	F	7	45	Malaga	S	20	68								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Co-op accounts 'concealed big losses'

Continued from Page 1

was likely to be another two to four weeks until the full extent of Garvey Holdings is grasped, they said.

Co-op's creditor banks had until noon yesterday to indicate approval for a restructuring package agreed in principle on Sunday night, which includes a decision to "suspend" either 33.3 per cent or 50 per cent of their unsecured loans to the group. If too few banks accept the higher figure, which carries the right to buy Co-op shares at an unspecified later date as an inducement, the lower write-off level may have to be raised to 40 per cent, the group said.

Mr Friderichs said he thought banks might accept the higher figure in view of Co-op's long-term potential. Although an urgent rationalisation programme is now a top priority, with the possible closure of some 300 smaller stores, Co-op has more larger-sized units than most of its counterparts, putting it at a competitive advantage.

Co-op's new directors were reluctant to comment on the motivation of their predecessors, whose conduct is now being investigated by state prosecutors. "We have to win a future for the company on the basis of what we have found," said Mr Wolfgang Bernhardt, e consultant advising the group.

Nevertheless, Mr Fridericbs said he would be calling on all Co-op's supervisory board members to submit their resignation et the extraordinary general meeting on May 18 to make way for a new board which better reflects the group's new ownership structure.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 1 1989

INSIDE

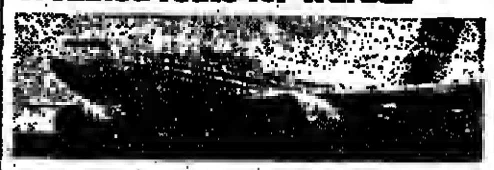
Intel wins plaudits for "super chip"

The 860 "supercomputer on a chip" is not a deep-fried software system, but Intel's new microprocessor, which has won the endorsement of International Business Machines. In a dramatic demonstration of the capabilities of the chip, Intel showed it performing up to 30 times faster than competing chips from Sun Microsystems and eight times faster than MIPS Computer's best chip. Page 22

Euromarkets face uncertain fate

International capital markets could become an endangered species after 1992. As differences between countries' practices disappear, so too could the Euromarkets' raison d'être. The consequences of this for London in particular, the home of the Euromarkets, would be severe. David Lascelles reports. Page 25

Troubled route for Wardair

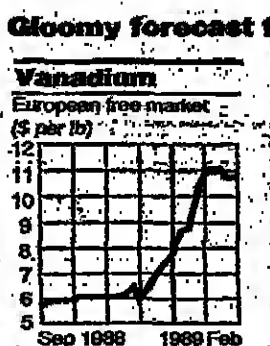


Wardair, the troubled Canadian airline recently acquired by Calgary's PWA Corporation, is to lay off at least 500 employees after reporting a huge C$57.7m ($48m) operating loss for 1988. Meanwhile, Air Canada, the largest Canadian airline, reported sharply improved fourth quarter earnings at C$42m, compared with a loss of C$73m a year earlier, despite engaging in a damaging fare war. Page 22

Australians fail to keep the faith

The Aussie broker's lot is not a happy one. Where once Australian equities followed the global trend, in recent months they have drifted lethargically while stock markets elsewhere have rallied. Investors seem to have lost faith in the domestic economy, despite the assurances of their government, and the market has suffered, writes Chris Sherwell. Page 46

Gloomy forecast for Vanadium



South African analysts are forecasting a sharp drop in the market for vanadium, a steel alloying metal, because of a projected 40 per cent rise in the country's production. In contrast, titanium, the exceptionally strong metal used mainly by the aerospace industry, is in extremely tight supply. Titanium metal has been produced commercially for fewer than 40 years. However, in that time its characteristics of exceptional strength, lightness and corrosion-resistance have made it a metal of extreme importance to the aerospace industry. Page 36

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)			
Rises			Rises			
Mannesmann	216.5	+ 8.5	Vallourec	309	+	24.8
Degussa	445	+ 15.5	Synthelabo	530	+	37.5
Karstadt	435	+ 15	Comptoirs Mod.	985	+	58.7
Thyssen	212.1	+ 8.1	Pechelbronn	1156	+	75.6
Veba	288	+ 7.5	Eurotunnel	90	+	5.2
Falls			TOKYO (Yen)			
Allianz	1690	− 40	Rises			
NEW YORK ($)			Nichia Steel Wk	1270	+	200
Rises			Kanto Denka Kog			
Columbia Pics	15⅝	+ ⅝		977	+	109
Dow Chemical	94	+ 1⅛	Toyo Telecom	1269	+	120
General Motors	85½	+ 3⅜	Falls			
Merck	63⅞	+ 1⅞	Fukusuke	1600	−	170
Morton Thiokol	43	+ 3	Pacific Metals	1199	−	110
Standard Dyn.	19¼	+ 1¼	Hokuetsu Paper	1130	−	109

New York prices at 12.30.

LONDON (Pence)						
Rises			Williams (J.)	57	+	7
Anglia TV	295	+ 32	Falls			
Brown (N.)	188	+ 5	Brit Island Air	132	−	10
Capital Radio	750	+ 42	Enterprise Oil	525	−	10
Central TV	758	+ 43	GUS A	1074	−	30
Helical Bar	312	+ 10	LASMO	433	−	30
Jaguar	313	+ 5	McAlpine (A.)	319	−	15
Mersey Dock	600	+ 38	Magnet	286	−	9
Stat-Plus	221	+ 8	Unilever	523	−	13
Templeton Gal.	183	+ 5	[illegible]	413	−	57
Thorpe Park	253	+ 5				

Compagnie du Midi falls to Axa

By George Graham in Paris

MR CLAUDE Bébéar emerged yesterday as the victor in the nine-month struggle to control Compagnie du Midi, the French diversified insurance group.

Mr Bébéar's Axa group, which agreed to ally with Midi last April and now owns 28.6 per cent of its capital, swept the field at yesterday's shareholder meeting and won a dominant position on the company's board, defeating his rival Mr Bernard Pagézy.

Mr Pagézy is expected to resign shortly as Midi's chairman.

Assicurazioni Generali, the Italian insurer that holds a 20 per cent stake in Midi, also obtained two seats on the board. Mr Pagézy sought originally to ally with Axa to ward off Generali.

Mr Bébéar said the meeting had resolved what had been "abusively presented as a conflict of personalities, but is in fact a conflict of strategies."

He said he wanted to affirm that Midi was primarily an insurance group – although it might usefully add financial services to its range, it should not be the dominant shareholder in industrial companies.

Midi, built up by Mr Pagézy from its origins as a 19th-century railway company, has a range of industrial interests including shipping, brewing and grains.

Mr Bébéar said a second dispute was over what would protect Midi better against takeover – increasing in size (Mr Pagézy has repeatedly sought alliances with groups such as Suez) or maintaining a concentrated group of dominant shareholders.

Generali supported or abstained in votes on Axa's motions at yesterday's shareholder meeting, but Mr Bébéar said that the motions would have passed even if the Italian group had not voted its shares in support.

"Generali is an extremely interesting partner, and we can do great things with them. We will certainly find a consensus, but it must be a consensus which respects the independence of Midi," he said.

He said the core shareholders of Midi controlled 48 per cent of the company's capital without Generali's stake, which is expected to rise soon to slightly over 20 per cent.

As well as his own Axa group, he said the core shareholders were the state financial institution Caisse des Depots, with around 4 per cent, Paribas and Michelin, with around 3 per cent each, and Midi's own subsidiaries, which own 10 per cent.

Yesterday's showdown between Mr Bébéar and Mr Pagézy led to the ejection from Midi's board of Sir Douglas Wass, head of the group's UK insurance subsidiary Equity and Law. Mr Bébéar said that this had been necessary to secure the election of his own nominees, but that Sir Douglas should return to the board in due course.

Lex, Page 18

Pagézy: transformed the 19th-century railway company

Lasmo steps up North Sea operations

By Steven Butler in London

LONDON & Scottish Marine Oil (Lasmo) yesterday almost doubled its presence in the North Sea with the £358m ($626.5m) purchase of the UK oil exploration and production arm of International Thomson Organisation, the Canadian publishing group.

The agreement to purchase Thomson North Sea, which was signed early yesterday after a negotiating session lasting all weekend, will increase Lasmo's oil production this year by one-third to 84,000 barrels a day and will again make the UK Lasmo's principal operating area.

The acquisition involves a total of 156m barrels of proven and probable reserves, plus exploration interest in 214,000 net acres.

Lasmo expanded heavily into international oil exploration in 1982 but has been drawn back to the UK partly as a defensive move because it believes the market undervalues its overseas oil acreage, leaving it vulnerable to takeover.

For International Thomson, the sale continues the trend of the past year in which non-oil companies have disposed of oil assets to take advantage of high prices for North Sea exploration and production acreage.

The deal is to be financed in part by a £158m rights issue, in which Lasmo shareholders are to be offered two new shares for each nine held, at a steeply discounted price of 375p. Lasmo shares fell sharply, closing 30p down at 433p. Lasmo is also negotiating £200m in long-term borrowing.

Announcement of the rights issue provoked criticism in the City, where analysts had believed that Lasmo's recent £368m sale of a 25 per cent stake in Enterprise Oil, the UK oil independent, to Elf Aquitaine, of France had provided it with all the cash it needed.

Mr Chris Greentree, Lasmo chief executive, said a key attraction was that the deal would provide Lasmo with a sharp increase in production after 1993, when oil prices were expected to be higher.

The principal assets acquired include interests in the North Sea Claymore, Piper, and Scapa fields, all of which are operated by Occidental Petroleum.

Lasmo yesterday estimated its 1988 net profits would amount to £25m, compared with £22m in 1987, on a turnover of £150m, down from £176 the previous year. This would result in earnings per share rising from 12.4p to 12.5p.

Background, Page 26, Lex, Page 18

Lord Keith to leave STC

By Terry Dodsworth, Industrial Editor

LORD KEITH of Castleacre, former merchant banker, long-serving public servant, and one of the most redoubtable corporate hatchet men ever seen in the City of London, bowed out of big-time public company chairmanship yesterday when he announced his retirement from STC at the age of 72.

Lord Keith could hardly have chosen a higher note on which to depart. He will leave at the forthcoming AGM with the group showing a 22 per cent rise in profits last year, and forecasting a continuing strong performance. This is all a far cry from the losses which were engulfing STC when he took over as chairman in 1985 after leading a boardroom coup against Sir Kenneth Corfield.

Lord Keith, an imposing man both physically and verbally, was in typical voice yesterday, answering queries in an inimitable blunt style. He was intent on laying several rumours to rest.

No, he said, he had not had talks with Mr Carlo de Benedetti, the Olivetti chairman, about selling STC's ICL computer subsidiary. Nor had the group ever been a member of a consortium bidding for the General Electric Company. And he was not talking to Metsun, the putative takeover vehicle for GEC.

There was support from the floor to brush aside speculation that Northern Telecom, the Canadian group with a 27.5 per cent stake in STC, might be thinking of divestment.

Mr Ed Fitzgerald, Northern's chairman and an STC director, read out a firm statement of the company's continuing commitment. It would no longer even be under any obligation to reduce its stake to 24 per cent, he added, following agreement with Fujitsu, another STC industrial collaborator, that it could keep the extra 3.5 per cent.

So Lord Keith departs with everything sweetness and light.

Lex, Page 18; Results, Page 26.

Unilever pre-tax profits advance 10% to £1.45bn

By Christopher Parkes in London

UNILEVER, the Anglo-Dutch consumer products group, overcame the hazards afflicting large multi-national companies in 1988 and produced a 10 per cent increase in pre-tax profits.

It compensated for a slowing in volume growth with increased margins, overcame 1,000 per cent inflation rates in Brazil, and absorbed another year of adverse exchange rates.

Pre-tax profits totalled £1.45bn ($2.5bn), against £1.33bn in 1987, at end-of-year exchange rates, which was only marginally below most City estimates. At constant rates, pre-tax profits were up 14 per cent and sales 6 per cent.

Overall sales volume at year-end rates rose a little over 3 per cent to £17.1bn, compared with 4 per cent in 1987. But in Europe, the group's heartland, consumer goods volume rose by 3.5 per cent. Performance in other sectors in Europe was affected by pessimism in the British farming industry and the good season for grass-growing, which hit sales of animal feedstuffs, Mr Mike Angus, chairman, said yesterday.

In Japan, focus of much of Unilever's marketing attention, volume increased 12.5 per cent and sales rose to almost £300m, compared with £200m last time.

Operating margins in the core detergents business fell a full percentage point to 6.5 per cent. Mr Angus blamed the extraordinary economic environment in Brazil and the heavy cost of countering a low-price detergent launch in India. The figures were also affected by heavy promotion in Japan.

Detergent margins improved in Europe and the US, he said.

Margins rose overall from 8.3 per cent to 8.9 per cent, with an especially strong performance from the Quest speciality chemicals business, up from 12.6 per cent to 14 per cent.

The group's "health" brands helped it increase volume, profit and market share in the declining European market for margarine and edible oils and the recent purchases of industrial suppliers Durkee Foods and Pennant "transformed" the scale of US operations, the group said in a statement.

The absence of promotional wars in the US helped the group to crank up its capital expenditure to £832m compared with £714m in 1987.

Unilever also spent £350m during the year on the acquisition of 31 companies which added sales of £370m and yielded profits of about £37m. Acquisitions in 1989 already numbered half a dozen, Mr Angus said, including the agreement to buy Fabergé's personal products interests.

The disposal of 14 non-core businesses in 1988 realised £145m.

In Rotterdam, Mr Floris Maljers, co-chairman, said he expected slower profit growth in 1989.

However, London brokers' analysts were reluctant to adjust their forecasts. Mr John Campbell at Prudential-Bache said he expected a 14 per cent increase in pre-tax profits for 1989, possibly bolstered by currency effects.

Earnings per share rose 10 per cent to 44.68p compared with 40.54p, and the company plans a final dividend of 9.51p to make a total of 13.40p, compared with 12.09p paid for 1987.

Lex, Page 18

The long and short of STC's recovery

Terry Dodsworth looks at the group's management changes

Lord Keith: bold, brash and brimming with confidence

It would be hard to find a bigger contrast in executive styles, personalitias or, indeed, physical stature, than the one between Lord Keith, the retiring chairman of STC, and Mr Arthur Walsh, his successor.

While Lord Keith goes for the broad-brush approach, Arthur Walsh loves the minutiae of running a business. Lord Keith is bold and brash and brimming with self confidence. Mr Walsh is self-effacing in public, quiet and understated in everything ha does. And while Lord Keith is physically big and dominant, Mr Walsh is small and retiring, the sort of man who could be easily lost in a crowd.

In the years since STC ran into a financial crisis in 1985, however, the two men have worked effectively in tandem. Lord Keith, catapulted to the fore during the crisis, has operated very much as a non-executive chairman.

He went out to look for someone to run the company, plucked Mr Walsh out of Marconi, the GEC defence electronics subsidiary, and then left him to get on with the job of running the day-to-day business. The results suggest that, whatever his appearance, Mr Walsh is as tough as they come when it comes to squeezing performance out of a given asset.

Mr Walsh joined the group in late 1985, when its dash for growth had run into problems which left it with a pre-tax loss of £11.4m ($20m). After extraordinary charges, final losses for the year amounted to £54m. Mr Walsh says that for the next 12 months he was mainly involved in fire-fighting, sorting out which businesses to retain and creating new operating systems.

By the end of 1986, it was clear that the company was on a steep recovery track. Pre-tax profits had swung back to £134.2m, and the company was coming back into favour in the City. A year later, profits rose to £188m, and last year swung up again to £230m - a three-year turnaround that had pulled the share price up from 70p just after Mr Walsh arrived to 308p.

Some of the strength in the share price may be attributed to persistent speculation that the company may be a target for a bid. It two key assets, the ICL computer group and its telecommunications activities, fall into the mainstream of businesses that seem ripe for rationalisation within Europe in the next few years.

Indeed, STC became directly involved in these reorganisation moves when it expressed an interest a few weeks ago in moves to try to take over GEC. It was a potential acquirer of a stake in the GPT telecommunications business currently owned by GEC and Plessey; and there was also a suggestion that ICL might be disposed of to Olivetti, the Italian computer group, to help pay for the purchase.

Both Lord Keith and Mr Walsh conceded yesterday that more rationalisation in the Western European electronics industry was on the way. But they dismissed the idea of selling ICL.

"To compete internationally, we need either more sales or a narrower front of activities," said Mr Walsh yesterday, emphasising the drive towards larger scale in the electronics industry. Because of STC's relatively modest size when compared with the big international electronics groups, Mr Walsh argues that it has to be fairly concentrated in what it does.

The group, he adds, will be aiming to be generating more sales in what it has, and continually channelling its efforts into more focused areas of activity.

This effectively means that STC will continue on the track that Mr Walsh has laid down over the last three years. In this period, the group's reorganisation has followed a series of clear steps.

● There has been a constant emphasis on streamlining the business to make it more manageable. Several operations, mainly in the components sector, have been sold, raising about £100m of cash in the process, but also bringing the two main activities of telecommunications and information systems clearly to the forefront. The remaining components activities are in distribution, a sector which generates steady returns.

● Mr Walsh and Mr Roy Gardner, the finance director who also came from Marconi, instituted strict financial control methods. Using GEC-style techniques, they cut back sharply on central administration, pushed operating responsibility down to the divisions, and made it clear that executives would be judged on their ability to manage their cash as well as their order books. Mr Walsh, who has a high admiration for Lord Weinstock, GEC's managing director, once said that his former boss could walk into STC and immediately be able to run the business.

● Alliances with other international groups have been supported where Mr Walsh believes they make sense. Hence the Fujitsu link with ICL has remained; and Mr Walsh persuaded Northern Telecom, the Canadian group, to buy about a quarter of the group's equity when it was being sold by ITT of the US.

He said yesterday that he was studying the possibility of further alliances in the future. Certainly, he said, he is planning for a long-term future at the group. The conversion of some of his share options this week, a deal on which he has made a paper profit of more than £2m, was a signal of confidence rather than the contrary. "There was a dividend stream there that I would have missed if I had not converted," he said yesterday, emphasising last year's 29 per cent dividend increase.

Japanese may scale back next NTT share offering

By Our Financial Staff

THE NEXT tranche of equity which the Japanese Government is to sell in Nippon Telegraph and Telephone (NTT), the world's largest company by market value, may be scaled back in order to stem a persistent slide in its share price.

The privatised domestic telecommunications group has been troubled recently by its executives' links to the Recruit Cosmos share scandal, while NTT's profitability is also being eroded by new competition on deregulated phone routes within Japan.

NTT's operating plan, submitted to the Posts and Telecommunications Ministry and revealed yesterday, shows that the company expects pre-tax profits in the year to next March of Y435bn ($3.44bn). This compares with the latest recorded result of Y496.7bn in 1987-88 and a previous projection by NTT of a decline to the Y425bn to Y430bn range in the year which ends this month.

However, Mr Haruo Yamaguchi, NTT president, has said in the last few weeks that 1988-89 profits would not show a decline from the previous year.

An NTT official yesterday attributed the lower outlook for next year to increased competition from recent entrants into the domestic telecommunications market as well as lower telephone charges and the splitting off of its NTT Data Communications subsidiary from the parent last April.

The operating plan forecast 1989-90 revenues of Y5,700bn against an estimated Y5,610bn for 1988-89 and an actual Y5,662bn the year before.

NTT shares closed at Y1.68m each on the Tokyo Stock Exchange yesterday, down Y20,000 on the day and less than half its record high of Y3.18m achieved in April 1987.

A Ministry of Finance official said yesterday the number of shares in the fourth tranche of the Government's NTT share sale could be below the ministry's earlier estimate of 1.95m shares, but he added that no decision had yet been made on the amount or timing of the issue.

Local press reports suggested that the ministry has started to consider a reduction in the shares to be sold, as well as alloting a higher proportion to stable shareholders such as banks, life insurers and companies which have business relations with NTT. The moves would be aimed at keeping the share price from falling further.

Meanwhile KDD, the country's main supplier of international telephone services, said in its annual business plan that it expected pre-tax profits of Y32bn in 1989-90, compared with a forecast Y37.8bn in the current year and Y35.4bn the previous year.

KDD, which is also facing competition from new entrants, foresees revenues of Y277.5bn compared with an expected Y262.7bn in 1988-89 and Y248.5bn last year.

Shell plans Y2bn Tokyo centre

By Peter Marsh

ROYAL DUTCH/SHELL, the oil and chemicals group, is to spend Y2bn ($15.8m) on a new research laboratory in Japan to support work on plastics and specialised intermediate chemicals.

The company is the latest in a series of Western chemicals groups to announce new scientific centres in Japan over the past few years.

Other companies which have followed this route include Imperial Chemical Industries and Glaxo of Britain, Ciba-Geigy of Switzerland and France's Rhône-Poulenc.

Shell plans to complete the laboratory, which will be at Tsukuba City, near Tokyo, by mid-1990. The research centre will aim to strike up links with customers in Japanese industry and take advantage of new ideas emanating from the country's scientific community.

● Cosmo Oil, a leading Japanese distributor of petroleum products, is to take full control of Asia Oil, a 49.7 per cent owned affiliate, Our Financial Staff adds.

Cosmo said the merger was aimed at strengthening the group to cope with relaxation of government controls on the oil industry, including liberalisation of imports.

The two companies already co-operate in refinery operations and oil distribution. The takeover, which will come into effect in October, is being brought about through a 10-for-15 share offer. Cosmo shares ended Y40 lower yesterday at Y1,070 on the Tokyo Stock Exchange.

Cosmo was itself the product of a merger in April 1986 between Daikyo Oil and Maruzen Oil.

Tata to double stake in Tisco

By R.C. Murthy in Bombay

INDIA'S TATA group is to double its stake in Tata Iron and Steel Company (Tisco), the country's leading private sector company, to about 8 per cent in a Rs1bn ($78.1m) move to pre-empt any hostile takeover bid.

This follows the discovery by the Tata family that the Birla group, India's second largest industrial combine, has overtaken its own holding by amassing an estimated 6 per cent of Tisco equity. The Tatas currently manage Tisco with only a 4 per cent equity stake but with the support of government-owned financial institutions, which have a combined 49 per cent holding.

Although Tisco was started by Mr Jamshedji Tata, founder of the Tata industrial empire, the family holding has dwindled because of policies promoting wider share dispersal as well as income, tax and wealth tax legislation.

Indian institutions take stakes in companies but do not normally destabilise managements which they view as professional. They gain feedback through nominee directors on the boards. Recently, however, financial institutions have adopted an ambivalent stance where two business groups are locked in a takeover battle and have tended to allow the market to prevail.

Other business groups have previously built up stakes in Tisco without mounting any threat to the management. The parent group is none the less acting to acquire additional shares through partially convertible debentures offered to shareholders and the public.

Tisco shareholders have granted approval for the Tata group to buy 1m debentures at a cost of Rs1.2bn, half of which will be convertible into Tisco shares.

This is part of a Rs5.65bn debenture issue, of which Rs2.05bn is reserved for existing shareholders and the remainder offered to the general public.

ANZ buys Postbank for record NZ$665m

By Dai Hayward in Wellington

NEW ZEALAND'S biggest banking merger was completed when Australia and New Zealand Banking Corporation (ANZ) took over Postbank, the highly successful and profitable operation which developed from the former Post Office Savings Bank.

Postbank was sold to ANZ as part of the New Zealand Government's asset sales programme. The NZ$665m (US$415.3m) paid by ANZ surprised local bankers and made the deal one of the most successful of the Government's disposals.

The ANZ bid was NZ$150m more than the nearest competitor. Mr Paul Rizzo, ANZ managing director, said the New Zealand market failed to appreciate the true worth of a retail bank.

ANZ paid twice the book value of the assets and about 10 times the bank's current earnings. Mr Rizzo said this was a lower price/earnings ratio than, for example, the National Australia Bank paid in recent UK purchases.

The Postbank price reflects its turnround from a government department which made heavy losses. It required an injection of NZ$250m in state funds, with another NZ$50m in reserve, when set up as Postbank in April 1987.

ANZ expects Postbank to contribute immediately to the group's overall profit. Postbank has the largest retail customer base of any New Zealand bank. It will lift ANZ's share of the local retail banking market to 16 per cent and more than double its personal deposits.

Two out of three New Zealanders hold s Postbank account. Since it became independent, Postbank's aggressive marketing has increased its number of cheque-account customers and built its home mortgage business to over NZ$1bn.

● Bankers Trust New Zealand, a unit of Bankers Trust New York, said it increased its net profit for the year to last November by 34 per cent to NZ$10.2m. Assets grew 7.8 per cent to NZ$591.6m, agencies add.

● Australian Mutual Provident Society (AMP) is seeking to dispose of AMP Financial Corp (NZ), its New Zealand merchant banking subsidiary. This follows a decision by AMP to concentrate on its core insurance, pension fund and related markets where it is the largest Australian-based institution. AMP Financial has assets of around NZ$270m.

Credito Italiano to buy BNA stake

By Alan Friedman in Milan

CREDITO ITALIANO, one of Italy's largest state-controlled banks, has agreed to acquire significant minority share stakes in Banca Nazionale dell'Agricoltura (BNA), the nation's biggest private bank, and in a holding company that is BNA's biggest shareholder.

The purchase of these shares, which have a present market value totalling L227bn ($168m), could be a prelude to an alliance that would represent the most important restructuring in Italian banking in years.

The move by Credito Italiano is part of a broader attempt to achieve a shareholding-and-management accord with BNA that would lead to a series of joint ventures and the possible integration of the branch networks of the two banks.

Credito Italiano has agreed to acquire, from a private investor group, 10 per cent of BNA's ordinary stock plus 17.5 per cent of Bonifiche Siele, a quoted financial vehicle that owns 42 per cent of BNA. The value of these two share stakes, based on current prices on the Milan bourse, would be L150bn and L77bn respectively.

Lucio Rondelli: wants an alliance with BNA

It is understood that Credito Italiano is also interested in acquiring part of the 42 per cent stake in BNA that is owned by Bonifiche.

For several months now the Bank of Italy has been putting pressure on Count Giovanni Auletta, who runs BNA and whose family controls Bonifiche Siele, to recapitalise BNA and to strengthen the bank's management.

BNA, which has total deposits of L23,285bn and 230 branches, has announced a two-stage rights issue, but there is scepticism in the market as to whether the Auletta family has the resources to subscribe its portion.

Mr Lucio Rondelli, managing director of Credito Italiano, is believed to have held a series of meetings in recent days with Count Auletta; these meetings were aimed at persuading the BNA chief to co-operate in forging an alliance between the two banks.

In particular Mr Rondelli's project would see Credito Italiano flanking Count Auletta in a shareholder partnership and would eventually lead to a rationalisation of the branch networks of the two banks; Credito itself has 479 branches.

If Count Auletta were amenable to Mr Rondelli's proposals then Credito Italiano could also work to strengthen the management at BNA, which is considered by the central bank in Rome to be rather thin.

The success of Credito Italiano's plan for BNA is likely to be settled within the next few days. It is understood that both the central bank in Rome and IRI, the state group that controls Credito, would look favourably upon such a solution.

Belgian companies link to take on world

By Tim Dickson in Brussels

BARCO-INDUSTRIES and Barco-Electronic, two Belgian electronics businesses split up when their parent company got into difficulties eight years ago, yesterday announced plans to "remarry" and create a combined group aiming at worldwide leadership in its specialist fields.

The new unit will have turnover of around BFr5.8bn ($153m) and initially will be more than 70 per cent owned by the GIMV, the Flemish public investment company. It has immediately signalled its determination to expand both geographically and in shareholder base.

"It is the intention of the group to find industrial partners, and the multinational character of the group does not exclude partnership of foreign shareholders," Mr Hugo Vandamme, president and chief executive, said yesterday.

Barco-Industries and Barco-Electronic both describe themselves as "niche marketeers" and, with the help of the group's BFr2bn of cash resources, plan to build a network of small companies which can benefit from its established research, production, marketing and distribution resources.

The company's products include intelligent broadcast monitors widely used in editing, colour graphic monitors, equipment designed to transfer satellite signals to cable TV systems, computer-integrated manufacturing systems for the textile and plastics industries and video and data projectors.

The merging companies were part of the original Belgian American Radio Corporation (Barco), a family owned company which moved into television in the 1960s and 1970s. It was successful until it ran into the combined difficulties of Japanese competition and the recession in Europe in the second half of the 1970s.

In 1981 a 57 per cent stake in what became Barco Industries was purchased by ACEC, the once-proud Belgian engineering business whose major interests have been sold recently.

The purchase of this stake by the GIMV (already majority shareholder of Barco-Electronic) paved the way for yesterday's merger. Five shares of Barco-Electronic will be exchanged for four shares of Barco-Industries, with a subsequent stock split of three shares in the new Barco group for one share of Barco-Industries.

Before the split the net profit per share of the new group for 1988 is assumed to be BFr195 - 39 per cent more than the 1987 figure.

Benetton plans US public share offer

By John Wyles in Rome

BENETTON, Italy's leading international clothing group, yesterday announced plans for a share issue in Europe, the US and Japan, designed to raise a minimum of L216bn ($161m) by the end of next year.

The issue will raise the company's capital base from L81.4bn to L93.4bn through the issue of 24m shares. The first tranche of 15m shares will be sold this year through a public offering in the US and through private placement in Europe and Japan.

In the US Benetton will seek an appropriate listing on the New York Stock Exchange for the American depository receipts, the usual vehicle by which foreign companies are quoted there.

The capital issue coincides with a very flat period for the fast-growing Italian clothing manufacturer and retailer. Sales last year rose by a modest L235bn to L1,500bn, thanks largely to acquisitions, while profits remained firmly anchored at 1987 levels of L130bn.

Mr Gilbert Benetton, chairman, said after the company's board had approved the capital increase yesterday that he expected sales to reach L1,700bn this year and that net profits would show a further increase.

The issue will raise the proportion of equity held outside the Benetton family from 12.5 per cent to 25 per cent. "The broadening of foreign shareholdings is part of the strategic aims of the Benetton group," said Mr Benetton.

"We reached a satisfactory degree of internationalisation some time ago from the retailing point of view with 5,000 shops in more than 70 countries and with 10 manufacturing plants in seven countries in Europe and North and South America."

Dutch bank posts 36% advance in net earnings

By Laura Raun in Amsterdam

NMB Bank, the third largest Dutch commercial bank, lifted its 1988 earnings by 36 per cent on buoyant growth across the board. The 1988 dividend was raised by 22 per cent to Fl 11 a share.

NMB, which is merging with Postbank, the country's post office bank, said net income jumped to Fl 301m ($146.8m), or Fl 28.23 a share, last year from Fl 221m, or Fl 20.48, in 1987. Robust lending at home and abroad and healthy interest-rate margins sent interest income 10 per cent higher.

NMB said it has now carved out a 20 per cent market share in international trading of Third World debt.

Earnings would have been Fl 30m higher without a newly created reserve for soaring supplementary payments to disabled employees.

Overall income advanced 12 per cent while expenses lagged behind with an 8 per cent increase. Rapid credit expansion, which was most noticeable in the first half of the year, and a desire to strengthen assets led NMB to set aside the same amount of reserves for bad loans as in 1987 - Fl 500m.

The balance sheet total expanded by 8 per cent to Fl 86.6bn at year-end. Full accounts will be published on March 22.

SKF out of doldrums with 32% jump in profits

By Sara Webb in Stockholm

SKF of Sweden, the world's leading roller bearings manufacturer, reported a 32 per cent jump in profits for 1988, putting an end to the weak profit growth of recent years when the group was afflicted by overcapacity in the bearing industry and tough price competition.

The group attributed the increase to strong demand for bearings from the major industrial countries, and said profits from the bearings division were strong in the final quarter of last year. Restructuring in certain European plants also helped.

Profits after financial items rose to SKr1.52bn ($243m) last year from SKr1.15bn in 1987, while group sales increased by 8.4 per cent to SKr21.25bn.

The board proposed increasing the dividend from SKr12 to SKr14 per share and announced a four-for-one stock split.

SKF is optimistic about profit increases in 1989, expecting further growth in the major economies and strong demand for roller bearings.

The group believes that demand from the capital goods sector, on which it earns better margins, will increase during the next year, while demand from the automotive industry could level off in 1989.

SKF said it had started to increase its production capacity in the US and upgrade machinery at its plants there following the pick-up in demand. It also improved profits at its West German and Italian bearing plants, which have been dogged by low profitability and cost-cutting, and said it expects to see further improvements during 1989.

Profits after financial items for the bearing division - accounting for the bulk of group profits - increased by 39 per cent to SKr1.21bn, and were boosted by a strong final quarter when profits reached SKr449m.

Tool division profits increased by 28 per cent to SKr142m, while the component systems division, which experienced strong demand from Japan, raised its profits by 61 per cent to SKr209m.

Ares-Serono lifts profit

By William Dullforce in Geneva

ARES-SERONO, the Swiss-based pharmaceuticals group, yesterday reported a 37 per cent increase in 1988 net earnings to $48m. The board proposes to raise dividends from $20 to $22 per bearer share and from $8 to $8.80 per registered share.

Net income per share last year was $88.36 against $64.43 in 1987. Cash flow climbed by 41 per cent to $68.6m. The group, which reports in dollars, had earlier disclosed a 28 per cent rise in sales to $420m.

Amer president resigns

By Our Financial Staff

MR LEIF Ekstrom, president and chief operating officer of Finland's Amer consumer products group, has resigned over differences of opinion about group strategy and leadership style and methods.

The company said the disagreement was not connected with Amer's $200m acquisition, agreed last week, of Wilson Sporting Goods of the US.

The Amer supervisory board has accepted the resignation, effective from the end of March.

Mr Heikki Salonen, chairman and chief executive, will also act as president and chief operating officer.

Aussedat move

By Our Financial Staff

AUSSEDAT-REY, the French paper maker, yesterday confirmed its acceptance of a friendly FFr2.2bn ($358m) bid by International Paper of the US instead of a projected French consortium offer.

Aussedat said it had met officials from rival French paper maker Arjomari-Prioux.

Fears over Spanish bank share buy-backs

By Peter Bruce in Madrid

SPAIN'S banking authorities yesterday were still trying to untangle the complex aftermath of the failed merger between Banco Central and Banco Credito de Espana (Banesto). There is growing concern that both banks might now be forced to buy further significant amounts of their own stock.

The merger's end has been attended by the release of 5 per cent of Banesto's equity and, potentially, a further 6 per cent in Banco Central.

Meanwhile the Bank of Spain, which promoted the merger and turned a blind eye to earlier accumulations of the banks' own equity, particularly by Banesto, is now trying desperately to reassert its supervisory function.

This task is being complicated by the urgent need on the part of both commercial banks to stop the free-floating shares falling into hostile hands.

The Government has pleaded with the two banks to ensure full transparency in all their share transactions, and the governor of the Bank of Spain, Mr Mariano Rubio, saw both chairmen on Monday to warn them not to increase their treasury stock as the merger unravels.

In the case of Banco Central, the bigger of the two, the end of the merger has been complicated by a division between the partners in its biggest shareholder, Cartera Central. This is a joint venture between the Kuwait Investment Office (KIO) and two local entrepreneurs, Mr Alberto Cortina and his cousin Mr Alberto Alcocer (Los Albertos), which controls close to 13 per cent of the bank.

KIO has a 48.8 per cent share in Cartera Central, but wants to get out of the partnership and Spanish banking altogether. KIO offered its stake to the Albertos on Monday for around $400m but there are doubts as to whether the cousins can afford to buy KIO out.

Under the joint venture agreement, neither side can get out unilaterally until 1992. However, this is conditional, and KIO lawyers believe the current situation - the Albertos' wrecking of a merger desired by the Government and revelations that Mr Cortina is having an adulterous affair - is damaging enough to KIO's interests to justify terminating the deal.

If the Albertos cannot find the money to buy KIO out, the Kuwaitis could try to sell their indirect stake in Banco Central to the bank itself, or at least sell the rights to their shares - worth about 6 per cent of Banco Central - to people nominated by the bank. That would ruin any chance of the Albertos playing a decisive role in the future of the bank.

In either case, Bank of Spain approval would be required. In Banesto's case, a 3 per cent stake believed to have been put on the market by Mr Juan Abello, a vice-president who resigned on Thursday, and a further 2 per cent being put up for sale by Cartera Central, are straining nerves at the central bank because it is not clear who will buy the stock.

Meanwhile both banks appear to have included in their 1988 accounts generous tax-free capital gains that would have accrued had the merger gone ahead. If the tax breaks are now to be rescinded by the Bank of Spain and the Finance Ministry, the effect on profits for last year could be very damaging, especially for Banesto.

To meet the conditions of the merger, Banesto had to keep its share price equal to that of Banco Central, and is thought to have accumulated up to 8 per cent of its own stock in the process.

In addition, the bank included sales of assets to its subsidiaries of some Pta17bn ($149m) in its Pta36bn pre-tax profit for 1988.

INTERNATIONAL COMPANIES AND FINANCE

Toshiba in Y70bn new chip project

By Our Financial Staff

TOSHIBA, the Japanese electrical group, is to invest more than Y70bn ($553.4m) over several years to build a four-megabit dynamic random access memory (Dram) microchip plant in southern Japan.

The facility is intended to be operational by April 1991, with an initial capacity of about 3m chips per month. It will be adjacent to Toshiba's existing microchip plant in Oita, where output of four-megabit Drams will also be expanded to about 100,000 a month by this September, an official said yesterday.

The Y70bn does not include the cost of the 120,000 sq metre plot of land, the purchase price of which is being negotiated.

Toshiba decided on the expansion programme in view of growing demand for advanced chips. The company is now the world's biggest maker of one-megabit Drams with output of 8m chips per month. It also currently ships about 1,000 commercial samples of four-megabit Drams a month from Oita.

Intel takes on Riscs with the Wizard

Louise Kehoe and **Alan Friedman** report on a 'supercomputer on a chip'

INTEL, the US semiconductor group, has won the endorsement of International Business Machines for its new microprocessor, the 860 "supercomputer on a chip."

At the unveiling of the Intel chip in San Francisco on Monday evening, IBM demonstrated a prototype version of an "application accelerator," an add-on circuit board containing the 860 that will significantly boost the performance of its personal computers.

The new Intel chip represents a major breakthrough in microprocessor performance. In a dramatic demonstration of the chip, Intel showed it performing up to 30 times faster than competing chips from Sun Microsystems and eight times faster than MIPS Computer's best chip.

IBM's endorsement of the 860 provides a significant boost for the new chip by giving it a role in the high volume personal computer market. The "Wizard" circuit board, as IBM calls it, could be used to transform a personal computer into a powerful engineering workstation. It might also prove useful in compute-intensive personal computer applications such as financial modelling or any type of graphics work.

While stopping short of announcing the Wizard circuit board as a product, Mr James Cannavino, IBM Entry Systems Division president, implied it will become available later this year as an add-on option for existing IBM PCs.

Also cheering at the Intel announcement was AT&T which together with Intel, Olivetti, Convergent Technologies, and Prime Computer, is developing a multiprocessor version of its popular Unix computer operating system software for the Intel chip that is scheduled for completion before the end of the year.

Olivetti, the Italian computer manufacturer, yesterday confirmed that it will adopt the 860 as the "engine" for a new range of computer systems.

Mr Vittorio Cassoni, chief executive of Olivetti, yesterday said the company's choice of Intel's 860 was based on two considerations – "the technical excellence of the microprocessor and the fact that we already have a long standing relationship with Intel."

Among US computer companies planning 860 based products are Altos Computer and Ardent Computer. In all, about 50 customers are already committed to the chip, Intel claims.

With the launch of its 860, Intel is defending its position as the world leader in microprocessor design and manufacture. Intel engineers invented the microprocessor in the early 1970s and went on to build a family of chips that have become the "brains" of most personal computers. Recently, however, Intel has been under increasing competitive pressure from makers of fast reduced instruction set computer (Risc) chips being used to power high performance computer workstations.

The 860 represents Intel's response to the Risc chip challengers. Intel is late entering the field and the success of its chip in the computer workstation and minicomputer markets will depend largely upon how quickly critical software, such as the Unix operating system and an "application binary interface," a program designed to ensure software compatibility between all computers built around the chip, become available.

IBM's use of the 860 in a personal computer circuit board may however provide Intel with a valuable alternative market for its new chip that will not be dependent on major new software developments. Microsoft, the software company that developed the operating system software used in IBM and most other personal computers said that it will quickly add support for the new chip.

The 860 is available in sample quantities now and will be ready for volume shipment in June. The chip will be priced at $750 in the fourth quarter of this year, Intel said. A faster version will be introduced in September with yet another speed improvement planned for 1990.

With its latest chip design, Intel set out to create a co-processor that would enhance the performance of personal computers. "But when we presented it to (potential) customers, they had other ideas," said Mr Gordon Moore, chairman.

The power of the 860, which combines three special purpose processors on a single chip – a Risc processor for high speed data processing, a floating-point processor for mathematical processing and a graphics processor for producing three-dimentional graphics – make it a supercomputer on a chip that will create a new class of microcomputers that challenge the performance of today's superminicomputers, computer experts say.

Intel spent $176m on a computer-aided network that it used to design the 860, said Mr Moore, and another $388m on developing the process technology that will be used to fabricate the chip at two Intel plants, in Oregon and New Mexico.

These investments will enable Intel to introduce two other advanced microprocessors this year, Mr Moore said. In addition to the 860 "mega-processor," Intel will, within 60 days, launch a new personal computer microprocessor, to be called the 486. Unlike the 860, the 486 will be totally compatible with the current range of Intel microprocessors but offer significantly higher performance. Several major personal computer manufacturers are believed to be developing new products around the 486 chip.

Morton Thiokol plans spin-off

By James Buchan in New York

MORTON THIOKOL, a company still haunted by its role in the Challenger space shuttle catastrophe three years ago, is spinning off the business that made the shuttle's faulty rocket motors to concentrate on its thriving commercial operations.

Wall Street responded yesterday with great enthusiasm to the plan, which will create two separate companies with sales of over $1bn each. Morton Thiokol's stock rose $3¼ to $43¾ yesterday morning as investors predicted much higher stock-market valuations for the individual businesses.

Ms Katharine Plourde, a leading research analyst at Drexel Burnham Lambert, said stock market prejudice against the aerospace business since the shuttle disaster has held back the company's overall value. "This really is a case where the parts are worth more than the whole."

The plan, which will go into effect on July 1, will create a new entity, Morton International, to operate the company's humming specialty chemicals, automobile airbags and salt businesses with sales of about $1.5bn. The aerospace operation, the largest maker of solid-fuel rocket motors in the US with sales of about $1.1bn, will be renamed Thiokol.

Mr Charles Locke, Morton Thiokol's chairman and chief executive, and Mr Jay Stewart, president, will run the new commercial operation. Mr Edward Garrison, who is group vice-president of the aerospace division, is expected to become president of Thiokol.

The deal will be carried out by giving shareholders a share in Morton International for each share they own of Morton Thiokol. Both companies will be listed on the New York Stock Exchange. The transaction is designed to be tax-free but fees and other charges will be booked to net income for the year to next June.

Mr Locke said: "The transaction will allow investors to evaluate better the individual businesses and their future outlook, enhancing the likelihood that the true value of each business will be properly reflected."

Morton Thiokol has been under heavy pressure from Congress and investigators since January 28, 1986, when faulty booster rockets caused the Challenger to explode just after take-off.

Wardair to lay off 500 employees

By David Owen in Toronto

WARDAIR, the troubled Canadian airline recently acquired by Calgary's PWA Corporation, is to lay off at least 500 employees, including some management, as part of a comprehensive restructuring plan to be implemented in coming months.

This week the airline reported a huge C$57.7m (US$48m) operating loss for 1988. The announcement continues a spate of redundancy notices that has swept Canada since the Conservative election victory in November.

The staff cuts presaged by yesterday's announcement will be made in the Toronto area. Further lay-offs at other locations are possible at a later date, according to Wardair.

The company said the redundancies are a direct result of its decision to reduce its fleet in an attempt to cut costs and ensure its survival. Non-management employees total about 4,800.

Wardair has already indicated it will not be taking delivery of a number of MD88s and Airbus A310 aircraft which it had on order. Nor will it replace A300s and DC-10s that are scheduled to leave the fleet.

The company said this week that it expected to receive about C$65m in cash on the closing of agreements to sell future aircraft delivery rights. Aircraft sales have produced extraordinary gains of C$64.7m in the company's last two fiscal years.

Air Canada improves in quarter

By David Owen

AIR CANADA, the largest Canadian airline, yesterday reported sharply improved fourth-quarter earnings, despite engaging in a damaging fare war with its two principal competitors.

On an annual basis, however, the Montreal-based carrier's profits failed to attain the C$100m (US$83m) threshold targeted in a share issue prospectus last autumn.

The airline, still owned 55 per cent by the Federal Government, was partially privatised last October in a C$250m offering.

In the latest quarter, the company's earnings reached C$43m or 71 cents a share, compared with a loss of C$73m or C$1.78 a year earlier. The latest figure includes a C$3m extraordinary charge, while year-ago losses were partly attributable to a machinists' strike.

Operating revenues for the three months climbed to C$805m – a rise of 28 per cent from depressed 1987 levels.

In the year to December 31, net income, including the extraordinary charge, was C$96m or C$2 a share, compared with profits of C$46m or C$1.11 a year ago on revenues up to C$3.4bn from C$3.1 bn.

In morning trading in Toronto, Air Canada stock rose by C$⅞ to C$12, still below the C$12½ high attained last week.

After languishing for months at or below the C$8 issue price, the shares have soared in response to the announced takeover of Wardair by PWA Corporation, parent of Canadian Airlines International. The move is thought likely to lead to higher fares.

The airline said its passenger load factor increased marginally in 1988 to 71.4 per cent from 71.1 per cent.

Richardsons drop search for partner

By Robert Gibbens in Montreal

THE RICHARDSON family, of Winnipeg, has dropped its search for an international partner for Richardson Greenshields of Canada, the country's largest remaining independent securities firm.

Last December, Richardson Greenshields, 75 per cent owned by the Richardson family and 25 per cent by its employees, hired Morgan Stanley of New York, to find a partner, such as a bank or insurance group. The company had moved heavily into retail business and has had difficulty recovering from the 1987 crash.

Both family and management were willing to sell control, preferably to a foreign institution, but only three potential bids came anywhere near the asking price of around C$170m (US$142m), or twice book value for the controlling block.

American Barrick shows record revenue and profit

By Kenneth Gooding, Mining Correspondent

AMERICAN Barrick Resources, which is rapidly becoming one of North America's largest gold producers, yesterday reported record production, revenue and earnings for 1988.

Mr Robert Smith, president, also revealed that, via gold-linked financing and price hedging programmes, Barrick had secured a minimum average price of US$434 a troy oz for about 75 per cent of its gold output over the next three years. The price in London recently has been between $390 and $400 an oz.

Mr Smith said Barrick had retained "significant upside potential should gold prices increase." More than 90 per cent of this year's gold production – targeted to be 440,000 oz – had been hedged at an average minimum of $437 an oz.

Barrick, which is based in Toronto, said its net income last year jumped by 53 per cent to C$37.5m (US$31m) or 63 cents a share, fully diluted, compared with C$24.5m or 46 cents in 1987. Revenue rose by 52 per cent to C$181.5m, from C$119.7m.

Gold production increased by more than 50 per cent to 341,000 oz from 225,109 the previous year, and Barrick's gold reserves increased to 18.5m oz, np from 13m at the end of 1987.

Barrick has interests in seven producing gold mines in North America and recently revealed a US$365m development plan for the Goldstrike mine on the Carlin Trend in Nevada which is expected to help boost the company's annual prodnction to 1.1m ounces by the end of 1992.

Inspiration Resources lifts earnings by 69%

By Kenneth Gooding

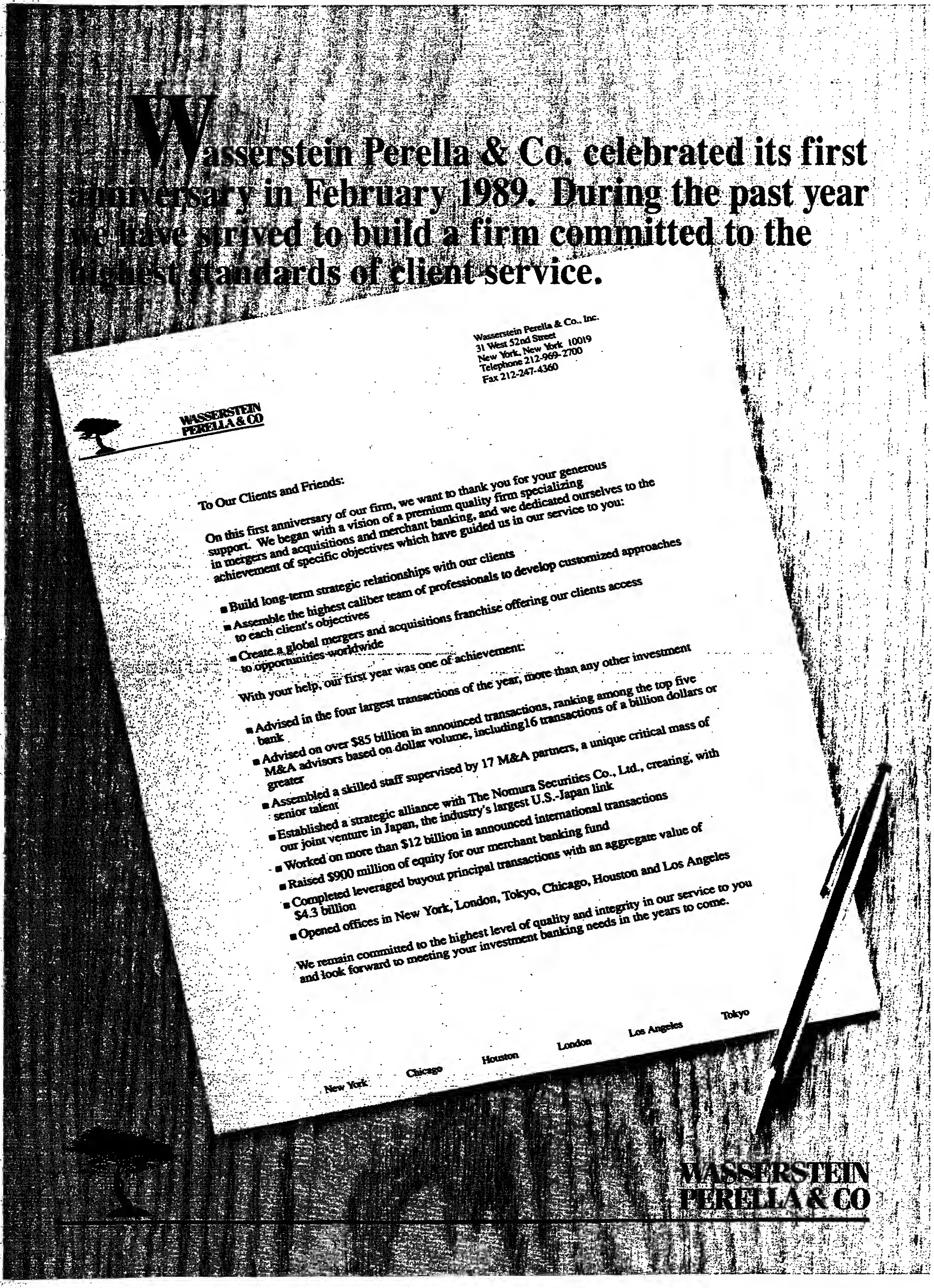
INSPIRATION Resources, the North American diversified natural resources group 56 per cent owned by Minorco, part of Mr Harry Oppenheimer's South African empire, reported a 69.4 per cent increase in net income for 1988, from US$24.8m or 38 cents a share to $42m or 63 cents.

The group was founded in 1983 through a reorganisation of the assets of Hudson Bay Mining and Smelting of Canada and its 50 per cent-owned subsidiary, Plateau Holdings. It showed its first profit in 1986.

Mr Reuben Richards, chairman, says the 1988 results reflect record earnings at IRC's agricultural division and strong year-end results at its Canadian base metals operations. Both these businesses are expected to improve their results significantly this year, he adds.

Revenue last year reached $1.4bn, against $1.3bn. Net income in 1988 included a $26.7m gain on the sale of IRC's US copper susbaidiary in July, plus a $3.5m net gain on the sale of certain leased assets. In 1987 gains totalled $28.5m.

At the operating level IRC's Terra agricultural operations showed earnings of $25m on revenue of $850.7m, against a loss of $3.4m on revenne of $692m in 1987.


Wasserstein Perella & Co. celebrated its first anniversary in February 1989. During the past year we have strived to build a firm committed to the highest standards of client service.
Wasserstein Perella & Co., Inc.
31 West 52nd Street
New York, New York 10019
Telephone 212-969-2700
Fax 212-247-4360
WASSERSTEIN PERELLA & CO
To Our Clients and Friends:
On this first anniversary of our firm, we want to thank you for your generous support. We began with a vision of a premium quality firm specializing in mergers and acquisitions and merchant banking, and we dedicated ourselves to the achievement of specific objectives which have guided us in our service to you:
■ Build long-term strategic relationships with our clients
■ Assemble the highest caliber team of professionals to develop customized approaches to each client's objectives
■ Create a global mergers and acquisitions franchise offering our clients access to opportunities worldwide
With your help, our first year was one of achievement:
■ Advised in the four largest transactions of the year, more than any other investment bank
■ Advised on over $85 billion in announced transactions, ranking among the top five M&A advisors based on dollar volume, including16 transactions of a billion dollars or greater
■ Assembled a skilled staff supervised by 17 M&A partners, a unique critical mass of senior talent
■ Established a strategic alliance with The Nomura Securities Co., Ltd., creating, with our joint venture in Japan, the industry's largest U.S.-Japan link
■ Worked on more than $12 billion in announced international transactions
■ Raised $900 million of equity for our merchant banking fund
■ Completed leveraged buyout principal transactions with an aggregate value of $4.3 billion
■ Opened offices in New York, London, Tokyo, Chicago, Houston and Los Angeles
We remain committed to the highest level of quality and integrity in our service to you and look forward to meeting your investment banking needs in the years to come.
New York
Chicago
Houston
London
Los Angeles
Tokyo
WASSERSTEIN PERELLA & CO

INTERNATIONAL CAPITAL MARKETS

Mood lightens with deals to satisfy retail demand

By Andrew Freeman

SENTIMENT IMPROVED slightly in Eurobond markets yesterday as several deals emerged to meet specific retail demand. As expected, short-dated US dollar and Ecu bonds were launched with yields aimed at European investors. "Placement power to specific pockets of demand is the key to success in these conditions," commented one trader.

Exxon Capital Corporation tapped the market with a $250m two-year issue brought by Credit Suisse First Boston. The bonds carry a 10 per cent coupon and were priced at 101.025 to yield 20 basis points over the equivalent US Treasury.

A CSFB official said the deal was effectively a debut issue for Exxon, which has previously borrowed only in the Australian and Canadian dollar one-year areas. "In a nervous and fragile market, a household name offering a 10 per cent coupon represents the sort of safe haven investors are looking for," said the official.

Although some houses *thought the pricing was tight*, the majority said it was spot on and that the issue had been well handled. One other house is thought to have bid the same terms for the mandate. The bonds were syndicated by a small group with a strong Swiss flavour and by the close of London trading the lead manager had only a fraction of its own $160m allocation unsold.

INTERNATIONAL BONDS

CSFB was quoting a price of less 1.05 bid, inside fees of 1⅛ per cent, although in late market price was less 1.20 bid. However, the official said that the issue would be seen primarily as an investment rather than as a trading vehicle, and that the price was not particularly relevant. The issue proceeds were not swapped.

Sumitomo Finance International was the lead manager of a $125m two-year deal for Swedish Export Credit (SEK), which carried a coupon of 10⅛ per cent and was priced at 101.10 to yield 41 basis points over the 9⅝ per cent US Treasury maturing in February 1991.

The bonds were quoted by the lead manager at less 1⅛ bid, a discount equivalent to co-managers' fees. A member of Sumitomo's syndicate team said that the deal was based on a special situation, but declined to elaborate. However, there was speculation in the market that a favourable swap had been arranged into floating-rate US dollars. SEK is thought to have achieved its required funding rate of around 65 basis points below Libor.

Two small Ecu-denominated deals were launched, both of which were aimed largely at Swiss demand and were said by the market to be well-priced.

Swiss Bank Corporation was the lead manager of an Ecu60m deal for the European Economic Community, which came with a coupon of 9⅛ per cent, and an Ecu100m deal for Crédit Local de France was brought by Credit Lyonnais with a coupon of 9¼ per cent.

Late in the day, Nomura International launched a Y10bn issue for Compagnie Bancaire. The 10-year bonds carry a 5.3 per cent coupon and are callable after three years at par on a once-only basis. The deal was aimed at Far Eastern demand and was compared by the lead manager to the recent US dollar callable issues.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Exxon Capital Corp.(a)◆	250	10	101.025	1991	1⅛/⅞	CSFB
Swedish Export Credit(a)◆	125	10⅛	101.10	1991	1⅛/⅞	Sumitomo Finance Int.
Final terms fixed on:						
Nissho Iwai Corp.(b)♦◆	400	4⅛	100	1993	2¼/1½	Nomura Int.
Nissho Iwai Corp.(c)♦◆	400	4⅛	100	1993	2¼/1½	Nikko Secs. (Europe)
ECUs						
Credit Local de France(a)◆	100	9¼	101½	1992	1⅜/⅞	Credit Lyonnais
European Community(a)◆	60	9⅛	101⅛	1992	1⅜/⅞	Swiss Bank Corp.
YEN						
Compagnie Bancaire(d)◆	10bn	5.3	101⅞	1999	2/1⅜	Nomura Int.
SWISS FRANCS						
Komatsu Forklift Co.(e)§★★	70	(1⅞)	100	1994	n/a	SBC
Yokogawa Bridge Wks(f)§★★	80	(½)	100	1994	n/a	Credit Suisse
Toshiba Battery Co.★★◆	10	5½	100	1994	n/a	Credit Suisse
Final terms fixed on:						
Fuji Tekko Co.(g)§★★◆	20	½	100	1993	n/a	B.della Svizzera Ital.

♦With equity warrants. §Convertible. ◆Final terms. a) Non-callable. b) Coupon indicated at 4½%. c) Coupon indicated at 4½%, issue launched in Asia. d) Call at par June 1992. e) Call Sept.1991 at 101½ declining ¼% semi-annually. f) Indicated put option 30/9/91 at 104⅜ to yield 2.185%. g) Put option fixed 30/9/91 at 103⅝ to yield 1.896%. Coupon fixed as indicated.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92⅝	93⅛	0	−0⅛	10.40
B.F.C.E. 7 92	150	†92	92¼	+0⅛	0	10.03
B.F.C.E. 9¼ 95	150	96⅛	97	+0⅛	−0⅜	9.89
Brit. Tel. Fin. 9⅜ 98	250	96⅞	97⅛	+0⅜	−0⅜	9.88
Canada 9 96	1000	†96⅞	97	+0⅛	−0⅜	9.66
Canadian Pac 10⅜ 93	100	†100⅛	101⅛	−0⅛	−1	10.49
C.C.C.E 9⅛ 95	300	96⅞	97¼	+0⅜	−0⅛	9.94
C.N.C.A 9⅝ 93	150	97⅞	98⅛	+0⅛	−0⅛	6.92
Credit Lyonnais 9 91	200	†97⅞	98⅛	0	−0⅜	10.23
Credit National 8⅛ 93	200	93⅞	94⅛	0	−0⅜	10.08
Credit National 7⅛ 92	100	92⅞	93⅛	+0⅛	−0⅛	10.06
Credit National 9⅝ 92	160	†98⅞	99⅛	+0⅛	+0⅛	9.85
Dai-Ichi Kan 9⅝ 92	150	98⅞	99⅛	0	−0⅜	9.93
Denmark 7⅛ 92	500	92⅞	92⅞	+0⅜	−0⅛	10.13
E.E.C. 7 91	100	92⅞	93⅛	+0⅛	−0⅛	10.00
E.E.C. 7¼ 93	250	91	91⅛	0	−0½	10.04
E.E.C. 8 90	350	†96⅞	97⅛	0	−0⅛	10.32
E.I.B. 7¼ 93	100	91	91⅛	+0⅛	−0⅜	10.03
E.I.B. 9⅜ 97	150	†97	97⅜	−0½	−0⅛	9.87
Elec. De France 9 98	200	94⅞	95⅛	+0⅛	−0⅜	9.88
Finland 7⅞ 97	200	†88⅛	89	+0⅛	−0⅜	9.99
Finn. Exp. Cd. 8½ 92	200	95½	96	+0⅛	−0⅛	10.19
Finn. Exp. Cd. 9⅜ 95	200	96⅝	97⅛	+0⅛	−0⅜	10.02
Ford Motor Credit 8 91	250	*†95⅞	95⅞	0	−0⅛	10.31
Gen. Elec. Cap. Corp. 9 93	500	†95⅞	96⅞	−0⅛	−0⅜	10.05
Gen Elec Credit 10⅛ 00	200	†99⅞	100⅛	−0⅛	−0⅛	10.26
Gen. Mtrs. Corp. 9⅛ 92	200	†97	97½	+0⅛	−0⅜	10.09
Halifax BS 9⅛ 93	200	†97⅛	97⅜	0	+0⅛	10.21
IBM Credit Corp. 8⅞ 91	250	97⅝	97⅞	+0⅛	−0⅛	9.93
IBM Credit Corp. 9½ 92	250	†99	99½	+0⅛	+0⅛	9.80
Italy 9½ 95	1000	97⅞	98⅜	+0⅛	−0⅞	9.96
Italy 9⅜ 99	1000	97⅞	98⅜	0	0	9.93
L.T.C.B of Japan 8 91	100	94⅞	95⅜	0	−0⅜	10.30
L.T.C.B. of Japan 9⅛ 92	200	97⅛	97⅝	+0⅜	−0⅛	10.06
Metropolis Tokyo 9½ 93	200	99⅛	99⅝	+0⅛	−0⅜	9.64
Nippon Tel. & Tel. 9⅜ 98	250	96⅜	97	0	−1⅛	9.92
Norway 8⅛ 93	500	95⅞	96⅜	+0⅛	−0½	9.97
Portugal 8⅛ 91	300	†95½	96	0	−0½	10.64
Prudential Crp. 8⅞ 94	125	†94⅞	95⅛	+0⅛	−0⅜	10.00
Qantas Airways 10⅜ 95	140	†101⅛	102	+0⅛	−0½	9.96
Saskatchewan 10⅛ 92	100	†101⅝	102⅛	+0⅛	−0½	9.99
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101	101⅛	−0⅛	−0⅜	5.04
Belgium 4⅝ 94	45	97½	97⅞	−0⅛	−0⅜	5.15
Canada 4⅞ 92	80	98	98⅛	−0⅛	−0½	4.99
[illegible]						

OTHER STRAIGHTS: [illegible]

DEUTSCHE MARK STRAIGHTS: [illegible]

SWISS FRANC STRAIGHTS: [illegible]

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Eng. China Clay 6½ 03 £	9/88	4.8	108⅛	109⅛	−0⅛	1.79
Fujitsu 3 99 US	5/84	1106.	236½	237½	−0½	−1.63
Land Secs. 6¾ 02 £	6/87	6.72	96⅛	97⅛	0	15.54
MCA Inc 5½ 02 US	9/87	69.62	85⅛	86	+0⅛	22.92
Minolta Camera 2¼ 94 DM	12/86	1004.	106	106½	−0⅛	12.52
Mitsubishi Bk. 2¼ 02 US	9/87	3157.	130½	132½	−2⅛	1.82
Mitsui Trust 2⅝ 01 US	10/86	1903.	150	151	−2⅞	3.28
Next Plc 5⅜ 03 £	11/87	430.	97⅞	98⅞	−0⅛	290.89
Nikko Kog. Bk 2⅞ 03 US	4/88	804.	127	128	−1	12.09
Orion Tateishi 2⅞ 02 US	4/87	1330.	206½	207½	−3⅛	−2.72
Ranks Hovis 4⅞ 03 £	11/88	3.5	111	112	−0⅞	5.19
Redland 7¼ 02 £	1/87	5.4	180	180⅞	−1⅛	7.97
Standard Chart. 6⅞ 03 £	†10/89	4.41	101⅞	102⅞	0	17.12
Sumitomo Bank 3⅛ 04 US	2/89	4296.	91⅞	92⅞	0	8.32
Texas Inst. 2¾ 02 US	9/87	82.87	74⅛	75	−0⅛	55.08
W.R. Grace 6¾ 02 US	9/87	42.12	83⅛	84⅛	0	32.68

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; (above mean rate) for US dollars. C.cpn = The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Creditors meet on Brazilian debt crisis

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S commercial creditor banks were due to meet in New York last night in a bid to surmount a longstanding obstacle to the disbursement of the $600m second tranche in its $5.2bn debt rescheduling package signed last year.

At issue is a clause requiring agreement between Brazil and the World Bank on a $500m power-sector loan before new commercial bank funds can be released.

The power loan, aimed at restoring financial viability to the deeply indebted sector through, in effect, balance of payments support, has badly poisoned relations between Brasilia and the World Bank.

The 14-member bank advisory committee, which negotiates for Brazil's commercial bank creditors, is now believed to be close to agreeing a special waiver, exempting the country from completing the power loan agreement.

If the International Monetary Fund (IMF) also endorses Brazil's latest economic austerity plan, introduced in January, the country's failure to meet targets on the public-sector deficit may also be brushed aside and the disbursement cleared for release.

An official of the World Bank made clear yesterday that the institution would have no objection to the "de-linkage" of the power-sector loan to the commercial creditors' package.

"The World Bank has absolutely no difficulty with any de-linkage," he said. Just five months after agreement on the rescheduling package for Brazil's $68bn in commercial bank debt, tension is again mounting in its relations with creditors.

On his return from Emperor Hirohito's funeral in Tokyo this week, President Jose Sarney lambasted the country's creditors in uncharacteristically tough language.

The country could not continue to be an exporter of capital, he warned, adding that while he did not want confrontation "this situation is impossible to defend."

Singling out the World Bank for specific attack, Mr Sarney said that if agreements on new loans were not reached the country would be paying out $1.7bn in interest and principal to the Bank while receiving only $200m in new loans.

Such figures are certain to be disputed by the Bank, which is scheduled to disburse some $1.4bn in investment loans this year, alongside a potential additional $1bn in funds for the power and financial sectors.

However, major problems remain with the $500m of these latter loans targeted for the power sector.

Under negotiation since early 1987, the power-sector loan had to be renegotiated due to macro-economic changes made in former finance minister Luis Carlos Bresser Pereira's austerity package.

It was then further complicated by the Brazilian Government's decision last year to take its nuclear energy programme under the wing of Electrobras, the state energy utility to which the loan is targeted.

Pressure from environmentalists and the US Treasury have always prevented the Bank agreeing any loans that could be seen as supporting atomic power programmes.

Consequently, Brasilia now has an awkward choice of once again distancing the nuclear programme from Eletrobras, and thus losing face, or losing the new funding.

To make matters worse, the introduction of a new austerity plan this January means that macro-economic issues will also have to be reviewed once more, making any prospect of the loans approval unlikely for several months.

World Bank officials are due to visit Brasilia next week.

News Corp gets lower rating

AUSTRALIAN RATINGS, the private credit service, said it had downgraded News Corp, Mr Rupert Murdoch's international publishing group, Reuter reports from Melbourne.

News Corp fell one place on the agency's 18-level listing to BBB-minus from BBB, as did its wholly-owned subsidiary News Ltd. Commercial paper issued by News Corp subsidiaries retained a B-one rating on a separate five-level scale.

Australian Ratings said the review was made before News Corp reported a 14.5 per cent rise in equity-accounted interim net profit to A$260.3m (US$207.28m) and reflected uncertainty over the company's debt reduction.

An Australian Ratings spokesman said the interim profit improvement would not have influenced the rating assessment.

INTERNATIONAL CAPITAL MARKETS

Treasuries continue to stabilise

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds yesterday continued to consolidate after last week's substantial losses, showing little reaction to news that fourth-quarter GNP growth had been left unrevised, but that the implicit price deflator had been revised sharply higher.

At midsession, bonds registered small gains. The Treasury's benchmark long bond was quoted ¼ point higher and its yield dropped to 9.12 per cent.

GOVERNMENT BONDS

The market absorbed yesterday's fourth-quarter GNP revisions fairly quickly, first falling but then recovering, and then attention turned to more testimony by Mr Alan Greenspan, chairman of the US Federal Reserve, before the Senate Budget Committee.

The GNP figures defied expectations. Growth itself was left unchanged at 2 per cent against forecasts of an upward revision to as much as 2.6 per cent, while the implicit price deflator was revised up to 5.3 per cent from 4.7 per cent, a much larger revision than had been expected.

The news was both positive and negative, with growth slower than anticipated but inflation higher. On balance, the figures left the way for bonds to move higher because concerns about higher inflation are already partly built into prices.

Mr Greenspan said that the fourth-quarter figures provided no significant new economic information and said that the adjustments were essentially technical.

Much of the rest of his morning testimony repeated views expressed in the Humphrey-Hawkins hearings. He repeated concerns about higher inflation and calls for action on the deficit.

Fed Funds opened at 9⅝ per cent, the level some Fed watchers believe the central bank is now targeting.

Economists at Drexel Burnham Lambert commented that the market was still not priced to a Fed Funds rate of 9¾ per cent and the front end of the market was likely to move up in yield more than long maturities, further steepening the yield curve.

FEARS THAT the Bundesbank will raise rates at tomorrow's fortnightly meeting receded somewhat, as slightly better-than-expected domestic inflation figures and continued weakness of the dollar eased pressures temporarily.

Cost of living figures for February gave an unchanged yearly increase of 2.6 per cent. This helped the bond market as dealers covered short positions and some retail buyers were also sighted, particularly among 5-year maturities, where prices have dropped sharply and have largely discounted a rise in the Lombard emergency funding rate.

One popular strategy recently has been writing put options on German bonds. Because the volatilities are high, at up to 11 per cent, put writers can take in a relatively high premium.

If yields rise to 7.15 per cent or so, they will get stock put back to them, but at that price they are happy to own bonds on the betting that yields are unlikely to rise much above 7.25 per cent.

THERE WAS distinct calm over the UK government bond market yesterday as dealers squared positions ahead of the January trade figures.

A similar psychology pervaded the foreign exchange markets where sterling stayed boxed in a fairly narrow range.

The jitters about today's figures have been sufficiently acute that almost any number will be greeted with relief, dealers argued. The market consensus for the monthly deficit is £1.5bn.

On Liffe, where the June long gilt contract now trades more actively than the March future, the market closed 4 ticks firmer on the day at 97.18.

THE FRENCH market perked up considerably, echoing German sentiment of slightly reduced interest rate pressures, and on technical short covering.

On the Matif, the French futures exchange, where the bulk of business was seen, the 10-year March contract advanced 90 points to close on the official market at 104.12 and steamed on in after-hours trading, too.

Terms on tomorrow's auctions have been modified slightly, allowing primary dealers some extra flexibility. They have been given an extra half hour's grace to submit bids on Thursday morning — until 10.30am, helping UK investors over the one-hour time difference.

They also now have until Friday afternoon to decide whether to take up their non-competitive bids — the allowance of stock allocated at the auction's average bid rate.

THE AUSTRALIAN market's reversal yesterday flummoxed traders who were at a loss to explain why bonds had gained almost 30 points in the futures market when the currency was persisting lower on confusion over official policy.

The March 10-year contract, which had opened at 86.06, advanced to 86.33 by the close and yields on the 10-year benchmark finished at 13.60 per cent, compared with 13.80 per cent in London the previous evening.

Dealers said that while such a market move normally sparked retail interest, almost none had been seen on this occasion. They hazarded a guess that technical factors, including option-related activity, might have been a major factor.

Options trading can be quite sizeable — on the exchange the notional underlying amount of options on the 10-year future is often A$300m, where total cash market turnover ranges from A$1bn-A$2bn.

CMB receives Ecu loan

By Norma Cohen

CMB PACKAGING, the company formed by the merger between Metalbox Packaging and Carnaud, has received an Ecu600m five-year multi-option facility.

Bankers Trust International is arranger along with National Westminster Bank and Société Générale of France. Of the total amount, Ecu500m is committed, with the remaining portion uncommitted.

Maximum margin for the loan is set at ⅛ over London interbank offered rates (Libor) or eligible bank bill rates for acceptances.

There is a facility fee of ⅛ and a utilisation fee of ⅛ if more than half of the committed facility is drawn.

The facility includes a multi-currency committed facility for advances and acceptances, a committed swingline facility and an uncommitted short-term advance or acceptance facility with tender panel.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-26	+7/32	10.78	10.54	10.25
		8.750	1/96	97-28	+8/32	10.11	9.88	9.78
		9.000	10/08	98-01	+7/32	9.10	8.97	8.98
US TREASURY *		8.875	11/98	98-30	+6/32	9.36	9.23	8.92
		9.000	11/18	98-13	+6/32	9.15	9.10	8.74
JAPAN	No 111	4.600	6/98	97.3044	-0.216	5.01	4.86	4.80
	No 2	5.700	3/07	107.5505	-0.104	4.91	4.81	4.77
GERMANY		6.375	11/98	96.0000	+0.275	6.97	6.91	6.88
FRANCE	BTAN	8.000	1/94	94.7703	+0.383	9.37	9.38	9.85
	OAT	8.125	5/98	92.9800	+0.800	9.20	9.11	8.50
CANADA *		10.250	12/98	98.2500	+0.125	10.54	10.35	9.96
NETHERLANDS		8.7500	10/98	97.1250	+0.150	7.26	7.12	6.80
AUSTRALIA		12.000	7/99	91.0363	+1.142	13.62	13.90	12.88

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Euromarkets face uncertain fate

David Lascelles on the danger posed by 1992's regulatory harmony

WILL the Euromarkets survive 1992? The European Community's plans to remove all internal barriers to capital flows and to harmonise financial regulation among the 12 member states could, some people believe, have a profound impact on the international capital markets.

These markets have thrived over the last two decades by providing offshore conduits for capital, free from the constraints of individual countries' regulations and tax. However, as differences between countries' practices disappear, so too could the Euromarkets' *raison d'être*. The consequences of this for London in particular, the home of the Euromarkets, would be severe.

This issue was addressed at a recent conference at INSEAD, the business school in Fontainebleau. The broad conclusion was that the Euromarkets did not face imminent demise, for two reasons. One was that their present enormous size, about $2,200bn net, was such as to give them a life of their own. The other was that sufficient regulatory differences would remain to ensure the Euromarkets' survival.

There seems little doubt that the market for Eurodollars at least will continue because the EC's harmonisation plans will not alter the regulatory and tax differences between the EC and the US, which gave rise to the market in the first place. In addition, since the dollar accounts for two-thirds of the total market, a substantial segment of it will be unaffected.

However, there was less certainty about the future for offshore markets in member states' own currencies within the EC.

Mr Richard Levich, professor of finance and business at New York University Graduate School of Business Administration, said there were three aspects of policy that could have a critical impact on the Euromarkets post-1992.

The first was reserve requirements on bank deposits. These currently range from zero in countries such as Belgium, Denmark and Luxembourg to 15 per cent or more in Italy, Portugal and Spain. Yet because reserve requirements are viewed as an instrument of monetary policy, they are exempted from the harmonisation of bank regulation for 1992. Although central banks will face competitive pressures to bring down the requirements, they will remain a feature of individual markets.

The second was taxation. Current sharp differences between taxation and withholding practices in member countries have a strong influence on the location of the Euromarkets, with countries such as the UK and Luxembourg enjoying distinct advantages. The debate about harmonisation of practices in this area has only just begun. However, the proposals put forward two weeks ago by Mrs Christiane Scrivener, the EC taxation commissioner, specifically exempt Eurobonds from withholding tax in order to avoid driving the Euromarkets out of the Community.

The third was disclosure where, again, practices vary widely between compulsory reporting of interest and dividend payments (in countries such as Denmark) and statutorily-protected secrecy (Luxembourg).

Mr Levich said the location of the Euromarkets would be dictated by the net regulatory burden in individual countries — or where regulation was lightest. Although he expects 1992 to unleash strong competition among EC financial centres to produce a convergence of regulation, he predicts that national politics and sovereignty will continue to play a role. This means that the regulatory burden for some individual country markets could remain higher than others, ensuring that these attract the offshore markets. He cites Luxembourg in particular.

However, if the EC's net regulatory burden comes out too high, the highly mobile Euromarkets could migrate to Switzerland, Liechtenstein or the international banking facilities (IBFs) in the US.

Two other professors from the Stern School of Business at New York University, Mr Ingo Walter and Mr Roy Smith, argued strongly that national capital markets within the EC would not displace the Euromarkets after 1992. Rather, they expected to see them converge.

"After 25 years of activity, the Euromarket has become the single most important market for corporate issues in Europe," they said. While it was created by regulation, it had also become the most technically-developed market in Europe. "Much more likely than the decline and collapse of the Euromarket as a consequence of the 1992 initiatives is therefore the emergence of a new intra-European integrated financial market-place that is built upon and encompasses both the domestic markets and the Euromarket of today."

Ironically, financial reform in the US could have a greater impact on the Euromarkets than developments in the EC itself. If the US continues to lower barriers to banking activity in the corporate bond market and takes measures to encourage the growth of IBFs, part of the Euromarkets could migrate across the Atlantic.

On the other hand, the continued growth in intra-European trade that is expected to result from 1992 will increase the need for companies to hold foreign currencies, adding further impetus to the Euro-currency markets.

Lebanese bank's French offshoot to be liquidated

By George Graham in Paris

FRANCE'S banking authorities yesterday withdrew the banking licence of Banque de Participations et Placements, an offshoot of Al-Mashreq bank of Lebanon, which collapsed in December in the midst of accusations levelled at its chairman Mr Roger Tamraz.

Mr Tamraz, who as head of the partly state-owned Intra Investment Company gained control of around 22 per cent of the Lebanese banking sector, was accused by the Beirut banking authorities of using short-term deposits from Mashreq and other banks to finance long-term investments, in contravention of Lebanese banking regulations.

The French banking commission announced the appointment of Mr Jean Duramé to liquidate BPP, which it said presented a balance sheet totalling FFr900m ($145.6m), with French franc deposits of FFr192m.

"These decisions sanction the profound degradation of the establishment's financial situation," the commission said in a statement yesterday.

"Because of the size of its compromised loans to the Intra group . . . the Banque de Participations et de Placements suffered from seriously inadequate healthy assets."

Three securities firms dominate M&A market

By Norma Cohen

MORE THAN 70 per cent of all cross-border mergers and acquisitions in 1988 were handled by just three international securities firms, the top two of which were American, according to data compiled by IFR Publishing.

In 1988 Goldman Sachs cornered 20.48 per cent of the market in mergers and acquisitions, acting in 30 bid situations valued at $39.38bn. Shearson Lehman Hutton had 17.52 per cent of the market, acting in 24 situations, while the combined firms of Credit Suisse and the Credit Suisse First Boston Group acted in 21 situations representing 16.71 per cent of the market.

The three firms together acted in 95 bid situations with a total value of $81.17bn, excluding in-house deals.

The same three institutions hold the top ranking positions for advisers to target companies in bid situations.

In a ranking of advisers to bidder companies, SG Warburg is in first place. The UK merchant bank handled 16.21 per cent of the total value of all transactions for bidder companies with a value equal to $24.06bn. Morgan Stanley is second with 7.26 per cent and National Westminster third with 6.91 per cent.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tue Feb 28 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Feb 27 Index No.	Fri Feb 24 Index No.	Thu Feb 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	918.97	+0.2	10.30	3.94	11.91	1.53	908.71	919.46	912.27	753.33
2 Building Materials (28)	1128.57	+0.1	11.27	4.04	10.92	0.45	1127.60	1145.12	1139.18	998.28
3 Contracting, Construction (38)	1673.54	+0.2	12.00	3.67	10.86	2.89	1670.41	1687.32	1683.15	1512.80
4 Electricals (10)	2645.00	+0.5	8.04	4.28	15.12	0.75	2630.79	2659.36	2629.48	2081.49
5 Electronics (30)	2046.38	-0.2	9.20	3.25	14.00	7.98	2051.02	2085.04	2068.48	1539.52
6 Mechanical Engineering (55)	492.13	+0.9	9.67	3.83	12.58	0.53	487.89	493.89	489.83	388.71
8 Metals and Metal Forming (7)	519.19	+0.3	14.78	5.67	7.65	0.00	517.59	520.32	519.01	446.35
9 Motors (17)	307.17	+0.4	10.65	4.32	10.90	0.00	305.95	309.61	308.14	289.79
10 Other Industrial Materials (22)	1532.81	+0.2	9.00	4.12	13.18	3.87	1529.04	1535.29	1510.28	1258.22
21 CONSUMER GROUP (186)	1155.65	+0.4	8.96	3.65	14.01	3.19	1151.25	1159.08	1159.42	1044.59
22 Brewers and Distillers (22)	1297.74	—	9.62	3.43	13.13	5.20	1297.49	1302.79	1299.54	1029.67
25 Food Manufacturing (21)	1012.93	-0.5	9.87	3.88	13.87	2.21	1017.88	1029.84	1036.89	841.48
26 Food Retailing (15)	1972.21	+0.5	9.20	3.56	14.31	8.17	1962.77	1980.87	1984.24	2045.22
27 Health and Household (13)	2095.88	+0.9	6.40	2.59	17.98	0.48	2076.19	2090.45	2075.18	1844.39
29 Leisure (33)	1576.88	+1.0	7.62	3.31	16.57	12.13	1560.12	1572.66	1568.28	1218.90
31 Packaging & Paper (17)	585.19	—	9.53	3.91	13.85	0.53	585.29	589.03	585.57	506.25
32 Publishing & Printing (18)	3657.79	+0.5	8.65	4.29	14.48	3.38	3640.11	3675.98	3675.03	3439.43
34 Stores (33)	755.38	+0.4	11.25	4.58	11.70	1.64	752.11	753.22	760.05	822.75
35 Textiles (14)	511.30	+0.5	13.62	5.57	8.79	0.25	508.75	511.12	511.98	569.42
40 OTHER GROUPS (94)	1028.44	+0.7	10.34	4.29	11.81	0.97	1021.21	1028.68	1029.10	886.27
41 Agencies (18)	1248.14	+1.4	8.82	2.65	14.33	5.48	1230.78	1238.49	1234.91	1151.22
42 Chemicals (22)	1176.42	+0.3	11.34	4.94	10.59	0.37	1173.33	1183.46	1183.57	1064.96
43 Conglomerates (11)	1436.67	+0.8	10.77	5.08	10.74	4.27	1425.08	1434.19	1427.54	1182.88
45 Shipping and Transport (13)	2292.29	+1.0	8.41	3.65	15.46	0.00	2268.82	2284.09	2272.74	1854.94
47 Telephone Networks (2)	1874.14	+1.2	10.93	4.37	11.09	0.00	1861.52	1868.40	1877.76	957.25
48 Miscellaneous (28)	1419.97	-0.1	9.96	3.83	11.42	0.68	1422.03	1434.35	1431.84	1168.38
49 INDUSTRIAL GROUP (487)	1076.22	+0.4	9.72	3.91	12.73	2.11	1071.57	1080.53	1078.39	937.16
51 Oil & Gas (13)	1836.21	-0.6	9.95	6.14	12.05	23.12	1848.21	1893.36	1883.86	1729.19
59 500 SHARE INDEX (500)	1141.38	+0.5	9.75	4.20	12.74	3.81	1138.05	1149.95	1147.22	1004.36
61 FINANCIAL GROUP (126)	732.44	+0.4	—	5.00	—	4.74	729.17	737.58	738.07	667.53
62 Banks (8)	722.21	+1.1	21.39	6.44	6.09	13.06	714.46	731.75	735.59	676.73
65 Insurance (Life) (8)	1025.57	+0.3	—	5.26	—	0.00	1022.02	1027.91	1027.25	983.34
66 Insurance (Composite) (7)	583.84	+0.2	—	5.35	—	0.00	582.72	584.79	585.07	528.38
67 Insurance (Brokers) (7)	983.83	-1.6	8.90	6.52	14.04	0.68	999.51	1014.93	1015.50	873.18
68 Merchant Banks (11)	346.49	—	—	4.33	—	0.03	346.42	346.90	346.26	340.85
69 Property (53)	1287.47	+0.3	5.57	2.61	22.85	1.15	1282.98	1286.87	1284.40	1053.98
70 Other Financial (32)	378.28	-0.1	9.47	5.57	13.28	1.92	378.58	381.57	382.28	386.04
71 Investment Trusts (74)	1063.87	+0.7	—	2.91	—	3.37	1056.95	1069.17	1068.90	872.28
81 Mining Finance (2)	666.67	-0.4	8.69	3.24	12.71	2.50	669.63	678.21	675.99	426.19
91 Overseas Traders (8)	1397.48	-0.4	8.48	4.78	13.78	15.65	1402.54	1412.56	1396.75	1032.26
99 ALL-SHARE INDEX (710)	1042.60	+0.3	—	4.27	—	4.07	1039.40	1050.47	1048.43	914.24

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 27	Feb 24	Feb 23	Feb 22	Feb 21	Year ago
FT-SE 100 SHARE INDEX‡	2002.4	+5.7	2002.4	1997.3	1996.7	2019.5	2016.6	2033.7	2061.0	1781.9

FIXED INTEREST

PRICE INDICES	Tue Feb 28	Day's change %	Mon Feb 27	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.13	+0.21	117.88	—	2.18
2 5-15 years	134.64	+0.28	134.26	—	2.57
3 Over 15 years	146.23	+0.43	145.61	—	1.86
4 Irredeemables	174.49	+0.43	173.54	—	3.16
5 All stocks	132.99	+0.27	132.63	—	2.20
Index-Linked					
6 5 years	131.76	+0.54	131.05	—	1.36
7 Over 5 years	132.78	+0.74	131.76	—	0.72
8 All stocks	132.58	+0.74	131.61	—	0.74
9 Debentures & Loans	118.37	-0.03	118.40	—	1.98
10 Preference	89.93	+0.05	89.88	—	0.56

AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 28	Mon Feb 27	Year ago (approx.)
British Government				
1 Low	5 years	9.34	9.33	8.78
2 Coupons	15 years	9.03	9.02	9.24
3	25 years	8.91	8.91	8.95
4 Medium	5 years	10.51	10.58	9.24
5 Coupons	15 years	9.49	9.53	9.39
6	25 years	9.07	9.07	9.14
7 High	5 years	10.61	10.68	9.32
8 Coupons	15 years	9.74	9.74	9.38
9	25 years	9.26	9.26	9.16
10 Irredeemables		8.81	8.86	9.65
Index-Linked				
11 Inflation rate 5%	5 yrs.	3.45	3.63	2.53
12 Inflation rate 5%	Over 5 yrs.	3.52	3.57	3.82
13 Inflation rate 10%	5 yrs.	2.56	2.74	1.56
14 Inflation rate 10%	Over 5 yrs.	3.35	3.40	3.65
15 Debs &	5 years	11.97	11.93	10.71
16 Loans	15 years	11.25	11.24	10.60
17	25 years	10.67	10.66	10.60
18 Preference		10.83	10.83	10.52

Opening index 1997.3; 10 am 2001.7; 11 am 2000.3; Noon 1999.9; 1 pm 2000.6; 2 pm 1998.1; 3 pm 1999.7; 4 pm 1998.2; 4.05 pm 1998.0. (a) 5.00am ... (b) 9.00am. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
DEBENTURE CONSTITUENT CHANGE: TR Industrial & General Investment Trust 10% 2016 has been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	104	2	3
Corporations, Dominion and Foreign Bonds	10	0	34
Industrials	473	288	817
Financial and Properties	208	93	366
Oils	29	24	46
Plantations	0	4	8
Mines	49	32	103
Others	125	28	95
Totals	998	471	1,472

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	356	CLF Yeoman	408		R0241½	4.6	2.5	13.3
145	F.P.	-	63	45	‡Cassidy Brothers 10p	61	-2	b3.08	2.0	6.7	9.7
245	F.P.	25/1	336	243	Compass Group 5p	335		R7.2	2.7	2.9	17.3
§100	F.P.	-	120	108	Europa Minerals 2p	113	-2	R1.0	-	1.2	-
§125	F.P.	-	140	131	‡Fareystak 20p	138	-2	R4.75	2.8	4.6	10.6
†	F.P.	-	80	70	*Hoskins Brewery 50p	80		-	-	-	-
§47	F.P.	-	49	46	‡Malaya Group 10p	46		R2.0	3.7	5.8	6.3
†	F.P.	-	266	230	NFC Var. Vtg. 5p	258	+5	†7.0	1.8	3.8	18.9
§140	F.P.	10/3	151	143	‡Sheriff Holdings 5p	151		L5.25	2.4	4.6	12.1
62	F.P.	-	76	70	‡Torex Hire 10p	72		R2.25	1.9	4.2	13.2
§185	F.P.	-	203	195	Wood (Graham)	200		R7.7	2.6	5.1	7.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb 20
- Last Dealings Mar 3
- Last Declarations Jun 1
- For settlement Jun 12

For rate indications see end of London Share Service

Calls in Eagle Trst, Control Secs, Hawtin, Conroy, ICI, Deres Est, Butte Mng, Clogau Gold, Ass Henriques, Doctus, Reed Int, PWS Hldgs, Lloyds Bk, Cresta Hldgs, Owners Abroad, Oliver Res, Thames Tv, AB Engineering. Puts in Hawtin, Dares Est, Blacks Leis, AB Eng, New Eng Prop, Helical Bar, Fed Housing, Eagle Trst, Citivision. PC in Hawtin, Eagle Trst.

LONDON TRADED OPTIONS

ONE OF THE quietest days for many a week on the traded options market was enlivened yesterday by the settlement price of the FT-SE 100 Index for February striking a precise 2,000.0, as the contract expired.

Total dealings came to no more than 26,651 contracts, made up of 14,777 calls and 11,874 puts. There was, however, some work for dealers' calculators to perform in reckoning the odds on such a figure being reached in the period from 11.10 to 11.20 a.m. on which the settlement is based.

These were reduced by the market trading within a few points of this level throughout the day. The Index opened at its day's low of 1,997.3 and closed at its day's high of 2,002.4, ahead of today's UK trade figures.

The February 2,000 Index contract opened the day with 1,138 contracts open for exercise on the call side, and 1,882 on the put. The settlement figures left both *options worthless*. There were 550 contracts traded in the calls at the exercise price and 793 in the put, without open interest changing much in either case.

Overall dealings in the Index again took the lion's share of total options market business, amounting to 5,514 call contracts and 5,842 put. The most heavily traded call series was the March 2100, in which 1,589 contracts led to open interest contracting to about half the amount to 1,995. On the put side, the March 1950s attracted 1,145 contracts, largely opening, and the March 2100s 1,243, also on an opening bent.

Lasmo was the most heavily traded individual options stock, against the background of its rights issue, as the underlying price of its shares fell 30p to 433p. Dealings in it came to 1,827 contracts, comprising 642 calls and 1,185 puts — the May 390 puts attracting 803 contracts. British Gas was one of only two other stocks to find dealings of more than 1,000 contracts handled — with 609 calls and 1,063 puts, the latter including 1,000 in the September 160 series. There was business of 1,141 in Trusthouse Forte, for the more part call.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*467)	460	22	36	49	10	22	25
	500	7	18	29	37	44	47
Brit. Airways (*187)	160	32	36	39	2	6	6
	180	16	20	27	5½	13	13
	200	6	12	16	21	25	26
Brit. Cons (*222)	200	28	33	-	1½	4	-
	220	12	20	27	7	12	13
	240	4	10	16	21	25	26
Boots (*254)	240	21	29	35	3	8	12
	260	7	14	29	10	16	20
	280	2½	8	16	28	31	34
B.P. (*259)	240	23	34	37	2	4½	8
	260	8½	19½	24	8	10	13
	280	2	11	14½	22½	22½	25
British Steel (*79)	70	18½	13½	14½	1	3½	5
	80	3½	6	8	4	8½	10
	90	[illegible]	[illegible]	[illegible]	12	14	15

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*316)	300	26	36	43	7	14	17
	330	9	20	25	19	26	28
Ultramar (*295)	280	-	44	50	-	21	26
	294	19	-	-	13	-	-
	300	-	34	40	-	28	34
Woolworth (*265)	240	31	37	-	2½	7	-
	260	16	24	35	9	14	18
	280	6	16	24	18	24	31

Option		Calls Apr	Calls Aug	Calls Nov	Puts Apr	Puts Aug	Puts Nov
GEC (*228)	200	31	42	44	2	6	9
	220	14	27	31	6	13	16
	240	5	16	21	17	25	28

Option		Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
R. Royce (*167)	160	12½	13	23	6	9	12
	180	4	6½	14	19	20	22
TSB (*119)	110	12	16	18	1	3½	4
	120	5	9	11	5	6½	8
	130	2	4½	7	14	14	13

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*504)	460	52	65	-	12	20	-
	500	24	44	60	29	38	43
	550	18	20	40	65	67	70
BAA (*301)	280	33	38	50	6	9	13
	300	20	25	36	13	16	18
	330	8	12	21	33	34	36
BAT Inds (*528)	460	75	86	-	4	8	-
	500	41	57	60	14	21	25
	550	13	30	42	40	45	50
Brit. Telecom (*269)	240	36	44	-	2	4½	-
	260	21	27	33	5½	9	12
	280	9	13	21	17	19	21
Cadbury Sch (*340)	300	43	56	-	3	6	-
	330	23	35	46	13	16	18
	360	11	21	31	29	31	33
Guinness (*403)	360	48	60	-	5	9	-
	390	25	40	52	12	18	20
	420	11	24	34	30	34	36
LASMO (*433)	420	39	53	-	22	37	-
	460	22	35	48	45	50	50
	500	9	23	33	72	75	77

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*443)	420	27	32	42	7	13	20
	460	4	11	21	35	38	43
Blue Circle (*518)	460	64	68	84	2	12	16
	500	28	38	58	9	24	30
	550	7	20	30	34	50	56
British Gas (*165)	160	8½	13	17½	2	4½	6½
	180	1	4½	6½	15½	16	18½
Dixons (*154)	140	19	26	31	2½	7	12
	160	7	13	21	13	13	20
Glaxo (*1236)	1200	56	105	145	16	43	48
	1250	30	77	115	38	62	68
	1300	13	53	90	72	90	92
Hawker Sidd. (*646)	550	105	117	135	1	8	11
	600	57	75	97	6	18	25
	650	22	43	67	20	38	43
Hillsdown (*273)	260	10½	26	34	4	8	11
	280	3	13	22	13	17	19
	300	2	9	14	29	31	31
Lonrho (*335)	300	38	54	62	2	9	15
	330	16	34	44	8	19	25
	360	5½	19	29	29	36	44
Midland Bk (*435)	420	25	42	48	6	12	17
	460	4½	19	25	32	32	37
Sears (*110)	110	10	13	18	2	5½	7½
	120	4½	8½	13	5½	10½	12
	130	1½	4½	9½	13½	17	19½
THF (*282)	280	10½	23	32	7½	12	16
	300	4	13	21	21	23	26
Thorn EMI (*701)	700	20	40	59	16	30	37
	750	5	20	32	53	63	66
Wellcome (*460)	420	46	65	80	3	11	15
	460	19	40	56	15	25	31

Option		Calls Mar	Calls Jul	Calls Oct	Puts Mar	Puts Jul	Puts Oct
Beecham (*563)	550	26	51	68	11	25	30
	600	7	27	43	42	52	55
Unilever (*523)	500	32	43	65	4	16	20
	550	6	23	38	32	42	45

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
BTR (*347)	330	23	29	35	3½	9½	13
	360	6	10½	20	18	26	29
Hanson (*175)	160	16½	19½	22½	1	1½	3½
	180	3	6½	10½	7½	9	10½

Feb. 28 Total Contracts 26,651. Calls 14,777 Puts 11,874
FT-SE Index Calls 5514 Puts 5842
*Underlying security price

UK COMPANY NEWS

STC profits up 22% as sales rise to £2.36bn

By Terry Dodsworth, Industrial Editor

Pre-tax profits at STC, the UK electronics group, rose by 22 per cent last year as both its telecommunications and information systems divisions put in strong performances.

Presenting the results, Mr Arthur Walsh, chief executive and chairman-designate, said yesterday that the process of expanding the group's core businesses with acquisitions in the US and Europe would continue.

"The year end sees us with a strong balance sheet, a good order book and a good cash position," he said. He particularly underlined the growth in turnover and orders at the communications systems division.

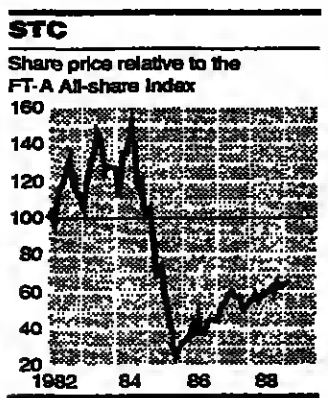
Group sales increased by 14 per cent to £2.36bn from £2.07bn, with a particularly strong jump in the communications sector, where turnover reached £642.4m against £438.4m in the previous year. Turnover in information systems, based on the ICL computer group, amounted to £1.26bn compared to £1.8bn. The components and distribution business saw sales increase to £342.5m from £301.6m.

The main contribution to profits came from ICL, which made an operating profit of £128.8m, a rise of 16 per cent on the previous year's £110.7m. The communications division, however, saw a sharper rise, with profits up by 22 per cent to £90.2m from £74.2m.

Operating profits in the components division reached £20.8m against £17.8m.

The pre-tax figure was struck after taking in £6.6m of investment income against interest payments in the previous year of £3.2m. These figures underline the increase in cash balances at the company.

Mr Arthur Walsh, chief executive: "a good order book"



which amounted to £340m at the end of last December against £221m at the same point in 1987.

After-tax profits increased to £147.5m from £125.2m, before extraordinary items of £4m against £11.5m. This generated earnings per share of 26.2p compared to 22.5p, and the Board is recommending a total dividend for the year of 9p as against 7p.

The company is forecasting further satisfactory growth in earnings this year, saying that the strength of its order book puts it in a strong position to compete internationally. Mr Walsh stressed the group's commitment to overseas growth, which was helped last year by acquisitions in the US and Western Europe in both the data processing and communications sectors.

There would need to be some rationalisation of facilities in the wake of these purchases, he said, and the integration of these activities into the group would be a "key priority" in 1989.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AMS Inds ....fin	1	–	1	1.5	1.5
Bensons Crisps ....fin	1.25	-	0.5	1.75	0.5
Chambers Fargus ....int	1	–	1	–	3
Cityvision § ....fin	1	-	0.5	1	0.5
Comm.Bk Nr East ....fin	30	-	30	30	30
Cresta Holdings ....fin	1	-	0.75	1.5	0.75
EFT Group ....fin	0.5	Apr 14	0.25	0.7	0.35
First Scot Amer ....fin	10.8	Apr 19	9	16.8	14
Grafton Group ....fin	2.5♣	Apr 11	2.1	4	3.1
High-Point ....int	2.25	–	2	–	5.75
McAlpine (A) ....fin	11.6	-	11.6	16.1	18
Murray Inc ....int	3.5	Apr 1	2.5	‡	7.1
Pickwick Group ....fin	2.25†	-	1.8	3.25	2.6
Ruo Estates ....fin	4	-	4	7	7
Scot Eastern Inv ....fin	2	Apr 7	1.5	3	2.35
Stat-Plus ....fin	2.25	–	1.5	3.5	2.25
Templeton G'brth ....fin	7.5¥	-	6.5	11	10
Thorntons ....int	0.82☆	Apr 25	0.65☆	-	0.65
Unilever ....fin	9.51	May 17	8.55	13.4	12.09
Unilever NV ....fin	3.06‡	May 19	2.53	4.29	3.62
Updown Inv ....fin	7.5	-	5.5	7.5	5.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ¥US cents throughout. ☆For 32 weeks. ‡Dutch florins throughout. ‡Total of 7.8p forecast. ♣Irish pence throughout.

BES statement withdrawn

British Empire Securities, which is waging a £100m bid battle for Schroder Global Trust, has been obliged to withdraw its statement that SGT's rival reorganisation "gives no indication of the amount receivable in cash, at the request of the Takeover Panel. SGT stressed that its proposal offers a minimum of 98 per cent of nav.

Full trial likely for Coats and Dawson

By James Buxton, Scottish Correspondent

DAWSON INTERNATIONAL's attempt to recover the cost of underwriting its unsuccessful attempt to take over Coats Patons in 1986 now appears set to go to full trial, following a decision yesterday by three judges in the Court of Session in Edinburgh.

Dawson is suing Coats Patons for a sum which it says now amounts to over £10m, taking into account tax and interest, over the cost of underwriting its agreed bid for the Glasgow-based company. It alleges that Coats Patons had agreed to recommend Dawson's offer to its shareholders, and that it would discourage and refuse to co-operate with an approach from another bidder.

But, Dawson alleges, Coats Patons did encourage and co-operate with an approach from Vantona Viyella, and recommended its shareholders to accept a merger of the two companies into Coats Viyella. Dawson alleges that Coats Patons was in breach of contract.

The case is believed to be the first time that a "jilted" bidder has sought to reclaim underwriting costs.

The Inner House of the Court of Session yesterday rejected an appeal by Coats Patons against a judgment by Lord Cullen a year ago who allowed the issue to proceed to court on the question of the alleged breach of contract.

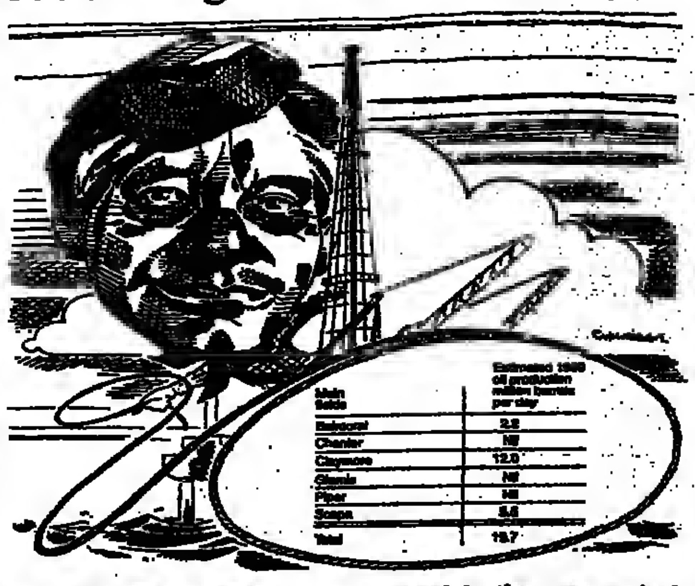
It also rejected an appeal by Dawson against Lord Cullen's refusal to allow it to proceed on allegations of misrepresentation against Coats Patons and two of its directors.

Coats Patons said it would be reviewing the situation but thought it unlikely that it would appeal to the House of Lords. The company claimed that elements in the judgment of the Inner House further weakened Dawson's case against it.

Dawson said it was looking forward to the full trial to hear Coats Patons' evidence as to its role during the crucial period of the affair in early 1986.

The hare becomes the hound

Steven Butler looks at Lasmo's about turn against all the odds



SIX MONTHS ago, when Britain's entire sector of independent oil companies looked about to be gobbled up by corporate predators, the odds makers — better known as City analysts — had it that Enterprise Oil, Britain's biggest independent, would be the survivor, while the London & Scottish Marine Oil Company was a sure takeover candidate.

Today odds have been firmly reversed. RTZ, the mining group, sold its 30 per cent stake in Lasmo to a large number of institutions last year. While many thought this amounted an open invitation to another predator to build a stake in Lasmo, this has not happened, and indeed Lasmo shareholders saw off British Gas with little fuss, and much embarrassment to the giant utility, when it attempted e dawn raid on Lasmo shares in the autumn.

Meanwhile Lasmo has sold its 25 per cent stake in Enterprise to Elf Aquitaine, the French oil group, and it appears only a question of time before Elf buys the rest of Enterprise.

Yesterday Lasmo took advantage of its strength of independence, which means in reality a high share price, by calling on its shareholders to back the biggest acquisition in its history, the £358m purchase of Thomson North Sea.

This finally gives Lasmo the heft and weight in the North Sea that it has sought for the past year, in which it purchased £83.1m of oil assets from BP, but saw itself outbid on other deals.

Lasmo hopes to reinforce this increased presence in the North Sea through the bids which it has recently submitted in the current North Sea licensing round. It has bid on 39 blocks, about a third for operatorship, with a minimum interest of 40 per cent in each block.

The Thomson deal transforms Lasmo's cash flow and future production profiles, giving it a big kick in oil output in 1992 and 1993, when many, though by no means all, analysts expect a significant rise in oil prices.

Yet the deal is at least as important for what Mr Chris Greentree, Lasmo's chief executive, admits is an effort to raise the company's profile before its mainstay of British investors.

"Shareholders like UK barrels," he says with a twang that gives away his western Canadian origins. "You do have to play to the grandstand a little bit."

In the past that meant oil finds in Gabon or Indonesia, that might be cheap and highly profitable to produce, would have relatively little effect on Lasmo's share price, nothing like the impact of even the hint of a find in the North Sea.

Mr Greentree believes that the investment community has gained a much better understanding of Lasmo's far-flung international operations in the past year, when the company has been under an intense spotlight as a possible takeover candidate, but he feels much safer now that 65 to 70 per cent of Lasmo's activities will be at home.

The Thomson North Sea acquisition nearly doubles Lasmo's North Sea production and reserves, giving it an average 1989 production of 49,000 barrels a day of oil equivalent. For the company as a whole, 1989 production rises by about 33 per cent to 84,000 b/d, and this is projected to rise to a likely 147,000 b/d in1993.

Much of the boost in 1993 would come from redevelopment of the Piper field, which was knocked out of action last year because of the Piper Alpha platform disaster.

The deal was calculated to be profitable at $15 a barrel in real terms, although Mr Greentree expected oil prices to be better than that by 1993.

Lasmo's proven and probable reserves now rise by 61 per cent to 412m barrels, which with the addition of possible reserves, comes to 616m barrels, a 43 per cent increase. The addition to exploration acreage is small, although probably less important, since Lasmo already boasts more exploration acreage than any independent oil company in the world.

None the less, Mr Greentree believes there is much potential that remains in the acreage operated by Occidental Petroleum, where Thomson is a partner.

The effect of the deal on cash flow is even more impressive, rising by 60 per cent over previously projected 1989 levels to £120m, assuming a $15 oil price. Cash flow last year amounted to just £30m.

The deal includes a 20 per cent interest in the Flotta pipeline and terminal system, a key attraction since transporting oil in the North Sea has actually proved more profitable than producing it, and a number of large developments are expected in the area serviced by the pipeline.

Mr Greentree was yesterday unapologetic about asking shareholders to pitch in £158m in a rights issue, just after Lasmo raised an aggregate of £368m in its sale of its 25 per cent stake in Enterprise.

"How to reward shareholders? One way is to give them a chance to turn a quick 30 to 40p," he says. This would be accomplished if after purchasing the rights at a steep discount of 375p, shareholders sold off the shares. Never mind the drop yesterday in Lasmo's share price, which closed off 30p at 433p.

Share dealing arithmetic aside, Lasmo did not want to finance the deal by selling loan notes from Elf Aquitaine, which it received in exchange for its Enterprise stake, because the interest on these loans give the company a highly tax efficient way to finance international exploration, which cannot normally be offset against UK income. These tax benefits are figured to be worth £15m ayear.

Moss Trust shares drop after investigation

By Vanessa Houlder

SHARES in Moss Trust, the troubled USM-traded advertising agency, yesterday lost a quarter of their value after an investigation of its accounts revealed that the company would not be able to pay its proposed dividend for last year.

The findings of the report also make it likely that the company made a loss and produced a deficit on its distributable reserves last year.

Mr Stuart Pearson, chairman and chief executive has resigned. The company refused to comment on the reason for Mr Pearson's resignation or the possibility of compensation.

The investigation is believed to concern £422,000 of costs incurred during a US tour last year by the Royal Scots Dragoon Guards. These were included in the accounts as deferred project expenditure, and therefore an asset. They are now expected to be treated as realised losses, which would turn the £307,000 pre-tax profit achieved in the year to August 1988 into a loss.

The review, by Peat Marwick McLintock, was commissioned on the day of its annual meeting on February 3, which was adjourned after the threat of an injunction by a minority shareholder. The minority shareholder commissioned a report by Coopers & Lybrand, the accountants, which revealed the accounting controversy.

It was also announced that an associate of Cantel Corporation, an offshore trust last week acquired 402,000 shares. Cantel, which was one of the vendors of ART Publicity Services, has a 7 per cent share in the company.

Mr Andrew Thirkill, the former deputy chief executive, has been appointed chief executive. Mr John Cooper, a non-executive director has been apointed chairman.

Mr Pearson is e former senior partner of Rawlinsons, a Bradford eccountancy firm which audited Moss Trust's annual report for 1987-8. He will act as a consultant for a transition period.

The shares, which were suspended on Monday, fell yesterday from 45p to 33p. The revised report and accounts are expected to be completed in three to four weeks times.

Colorgraphic's £5m purchase

By Clare Pearson

Colorgraphic, the USM-quoted direct response print specialist, is paying up to £5m in shares to acquire West Yorkshire-based Comprehensive Computer Services..

Mr Nick Winks, Colorgraphics' chief exectntive, explained CCS would provide a capability in data bases and list management. This was important because of the significant number of direct response customers whose personalised products required sophisticated targetting.

Of the 300,000 shares comprising the initial consideration, 225,000 are being placed. The additional consideration is profit-related.

CCS expects to achieve profits after tax of at least £100,000 in the year to end-December, and has undertaken to repay Colorgraphic the difference in the event of any shortfall.

Colorgraphic's pre-tax profits stood at £1.22m in the six months to end-June last year.

Scottish Eastern net assets rise 23% to 185.8p

Scottish Eastern, one of the larger non-specialist investment trusts, yesterday announced a 23 per cent increase in net asset value in the 12 months to end-January, to 185.8p a share.

The company points out that this compares with a 15.2 per cent rise in the FT-A All Share Index.

And it claims - on the basis of figures produced by the Association of Investment Trust Companies - to have managed the best total return for shareholders of any general trust over £150m in the 12 months to end-Janaury.

The proposed final dividend is 2p a share, making a total of 3p for the year, a fairly sharp increase on the 2.35p in 1987/8.

The company attributes part of the asset advance to the inclusion in the portfolio of various bid stocks - such as Rowntree, Hammerson, Plessey and Scottish & Newcastle - as well as good return from the unquoted portfolio.

At the year-end, gross assets of the Martin Currie-managed trust totalled £451m, with 59 per cent being in the UK 18.5 per cent in North America, 16 per cent in the Far East, and 6.5 per cent in Europe.

Gross revenues dipped slightly to £16.3m, but interest charges also fell to £5.69m (£7.73m) while management expenses were broadly static at £1.28m.

Meanwhile, at First Scottish American, managed by Dunedin, the increase in net assets per share over a similar period, was 12.1 per cent - to 522.6p.

The final dividend goes up 10.8p (9p), an increase over the full year of 20 per cent.

At end-January, 96 per cent of the portfolio was invested in the UK.

Swiss Berisford voting control at Billingsgate

By Clare Pearson

Berisford (Switzerland), the subsidiary of sugar processing and commodities group Berisford International, has increased its holding of preferred shares in Billingsgate City Securities, whose only asset is Midland Montagu House in the City of London, to 19.35m, or 75.01 per cent.

Charterhouse Bank, which advised the Swiss company when it made an offer for all the preferred shares last year, confirmed the effect of the increase would mean Berisford (Switzerland) would be able to cast enough votes to ensure that any special resolution it put before shareholders in the company would be passed.

The Swiss company, at that time called Erlanger Commercial Corporation, made a 130p cash offer last summer for the preferred part of the equity of Billingsgate it did not already own. This resulted last October in it owning or having received acceptances in respect of 73.3 per cent of the shares. All the ordinary shares are held by Berisford International.

The offer for the preferred shares was not recommended by Billingsgate's two independent directors on the grounds that it was below the liquidation value of 145p estimated by surveyors Debenham Tewson and Chinnocks.

Euro Equities cuts Oceonics holding

Euro Equities, part of the consortium which provided a £7.25m cash injection into Oceonics Group last year, has sold 10m shares (9 per cent) in the marine and defence electronics group, thus reducing its holding to 21.7 per cent.

SEC rejects bid for Cambrian

By Nikki Tait

THE SECURITIES and Exchange Commission, the US regulatory authority, has instructed its escrow agent not to accept the £71.3m bid from New York-based Leucadia National Corporation for Cambrian & General Securities, the UK investment trust.

The escrow agent, Mr Lee Richards, also intends to notify Cambrian that he is exercising his right to appoint two directors to the board of the trust. The SEC holds around 23 per cent of the voting rights of Cambrian.

Cambrian was at one stage the UK vehicle for convicted insider trader, Mr Ivan Boesky. The SEC acquired its shares as part of a $100m settlement with Mr Boesky in late-1986. The Cambrian interest is believed to have been valued at a little under $50m.

The SEC yesterday refused to make any comment on the reasons for its decision not to accept. However, under the terms of the offer, its interest is only priced at about £19.2m – and it would therefore crystallise a loss. There has already been some critical comment on the terms of the Boesky settlement, with suggestions that the Cambrian stock was taken on at too high a value.

There was also a feeling at one stage that the SEC was somewhat hampered in making moves over its Cambrian holding while certain litigation surrounding the Boesky affair was going on in the US. It could, ran the argument, open itself to charges of insider dealing.

However, Leucadia's London-based adviser, Hambros Bank, denied suggestions that its client would be disadvantaged by the SEC's decision not to accept. The Leucadia camp, having pitched its offer at a fairly sizeable discount to underlying net assets, had indicated that it planned to realise the trust's assets in the not-too-distant future – although this was subject to the settlement of various legal actions involving the trust. Yesterday, Hambros suggested that such a course of action need not necessarily be prohibited by yesterday's developments.

The merchant bank added that it understood that the escrow agent's request for board representation was in accordance with the company's articles and that Leucadia therefore "looked forward to welcoming the new board members" at Cambrian.

The New York-based group, which has interests ranging from insurance and banking to real estate, has already acquired 74 per cent of the voting rights at Cambrian, leaving the SEC's stake as the only significant outstanding holding.

UK COMPANY NEWS

The embarrassment of missing an industry boom

Andrew Taylor explains why contractor Alfred McAlpine's profits have slumped by 35%

Mr Robert (Bobby) McAlpine had the embarrassment yesterday of trying to explain how his construction company, Alfred McAlpine, had managed to achieve a 35 per cent fall in pretax profits last year when most of its rivals will announce big rises.

Construction output in the UK has risen by about a sixth during the past two years. House prices rose by 30 per cent last year. Private sector office building and industrial construction are at their highest levels for at least 15 years.

In this climate it is difficult to see how construction companies, particularly those with strong housebuilding interests could fail to increase profits. So why did Alfred McAlpine miss out on the harvest? Pre-tax profits of £20.47m for the year to the end of October were the lowest since 1982-83.

Mr Bobby McAlpine, chairman and chief executive of Alfred McAlpine, admits the company misjudged the direction the construction market was taking in the mid-1980s.

"We failed to recognise the extent to which investment in private sector building would grow. Instead, we continued to chase low margin road and public works contracts."

The company which built a reputation in the 1960s and 1970s as one Britain's biggest road builders is now paying the price. "Almost all the road contracts we won in 1986 and 1987 have been loss making," says Mr McAlpine.

Losses on one major interchange on the north circular road around London are running into several million pounds. Losses have also been incurred on other public works contracts including some for the Government's Property Services Agency and a dam contract in Devon.

As a result UK construction profits slumped from £11.7m in 1986/87 to £2m last year. Rival contractors say McAlpine is paying the penalty for bidding very low prices to win public sector contracts in the mid 1980s.

McAlpine says most of the loss making jobs involve claims for delays and contract variations for extra work or design changes. It says many of the contracts should be profitable once the claims are settled.

This is unlikely to make much difference to this year's results. McAlpine is making provisions of between £4m to £5m to cover further losses on construction contracts in the current financial year.

The group had other problems last year. Big hopes had been pinned on McAlpine's expanding concrete block making operations – particularly given the industry-wide shortage of blocks last year.

The block making division under-estimated the amount of time it would take to bring new plant on stream at Bristol, Wrexham and St Helens. There were also misjudgements made about the right product mix between light and heavy blocks.

The group has reacted by reorganising its management and introducing new personnel. A new managing director will shortly be appointed to run the concrete block making operation.

The contracting division has been completely restructured.

Bobby McAlpine: misjudged the market's direction

Eight new regional offices have been created. Previously the group attempted to run all its work in southern England from offices in Wolverhampton. The group's head office in Hooton, Cheshire, looked after contracts in the north.

"The regions have become increasingly important sources of work as private investment in new plant and offices has increased. The lack of regional offices inhibited us from winning as big a share of this work as we would have liked," said Mr McAlpine.

A special team has also been formed to concentrate on large construction projects. Greater emphasis is being placed on project management which produces low margins but more secure work. Efforts have also been made to improve management reporting systems to provide better warning of possible problems. McAlpine says the sale of the company's property investment portfolio last year to the property company Warrington - a deal which left McAlpine with a 45 per cent stake in Warrington - would allow it to concentrate on managing its core construction and minerals interests while retaining a strong interest in the property sector.

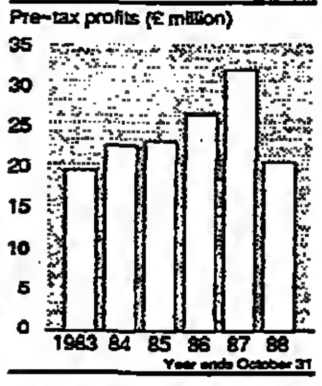
It says equity accounting rules permit it to include 45 per cent of Warrington profits in its accounts without having to include any of Warrington's borrowings on its balance sheet.

The acquisition of Canberra Group, a private housebuilder operating the Midlands and south west England takes the company into new markets. Results this year will depend to a large degree on how McAlpine's expanded house building business performs in what has become a more uncertain housing market in the UK.

The company's new emphasis on winning a greater share of private sector work and improving its penetration in regional markets will take time to work through. Mr McAlpine says the benefits from the reorganisation should start to flow through during the second half of this year.

Alfred McAlpine

Pre-tax profits (£ million)



A family divides the country and builds its name

ALFRED McALPINE is one of two British construction companies to share the famous McAlpine family name. The other is Newarthill, which still trades under the name of Sir Robert McAlpine. Neither likes to be confused with the other, writes Andrew Taylor.

Alfred McAlpine was formed in 1935, after the fourth son of the famous Scottish builder Sir Robert McAlpine decided to break away from the family business.

Sir Robert a shrewd Glasgow bricklayer, popularly known as 'Concrete Bob' had started Sir Robert McAlpine after his previous construction company had failed in 1878 following the collapse of the City of Glasgow Bank.

Sir Robert had five sons, two of which, William and Malcolm, stayed to run the family business, after their father died in 1934.

Sir Alfred, who was already chairman of the company's Midlands division, decided to go it alone. The two companies divided the country and agreed that neither would seek work in the other's territory.

Alfred McAlpine was to have the Midlands and north west England. Sir Robert McAlpine would operate in south east England and Scotland.

This agreement remained in force until 1983 when Alfred McAlpine, which built its reputation on contracts for the Manchester Ship Canal and the Birkenhead section of the Mersey tunnel, decided it wanted to expand into other areas. Rivalry between the two companies is intense although both companies claim relations are cordial if a little more strained since the ending of their agreement in 1983. Mr Bobby McAlpine chairman and chief executive of Alfred McAlpine is the grandson of Sir Alfred and the great grandson of Sir Robert.

Norton Group turns in £1.1m and forecasts dividend

By Clare Pearson

NORTON GROUP, the former shell company that owns patents for the Wankel rotary engine, and was once famed for its motorcycles, yesterday reported a profit in its first set of results since joining the Third Market in January 1988.

Pre-tax profits of £1.1m on turnover of £16.3m were achieved in the 16 months to end-December. The company expects to pay a dividend for the current year.

The period saw sharp changes in Norton's direction. Its move into collective club memberships last January was reversed nine months later when it sold London No 1 Club and bought Pro-Fit Piping Components, a US engineering concern, instead.

Mr Philippe Le Roux, the former merchant banker who is Norton's chief executive, said the aim behind the $15m (£8.62m) purchase of Pro-Fit, as well as the earlier flirtation with club memberships, had been to acquire cash flow to fund the development of the engine technology. This year, the company would be looking for a similar acquisition in the UK or Europe.

Norton Motor is expected to move into profit this year when it expects to sell about 500 rotary-engined motorcycles at about £6,000 each.

The Norton engine is to return to the race track under a three-year sponsorship agreement with Imperial Tobacco.

The engine has also been developed for unmanned surveillance aircraft, and Norton is hoping to develop it for manned light aircraft uses.

All the profit during the 16 month period came from Pro-Fit, consolidated on a merger accounting basis. Norton Motors lost nearly £600,000 during that time.

The comparative figures of £1.18m pre-tax profits on £10.73m of sales in the 12 months to end-December 1987 are not comparable since Norton Motors was included for only 2½ months. If it had been included for 12 months, turnover would have been £11.5m and pre-tax profits £671,000.

The sale of London No 1 Club, which resulted in the departure of City investors Mr Robert Tanner and Mr Peter Whitfield from the board, gave rise to a £472,000 extraordinary profit. Taxation took £127,000 (£235,000).

Courtney Pope

Shareholders in Courtney Pope, the shop-fitting, engineering and electrical group, have approved the revised terms for the acquisition of Quickwood, a privately-owned shopfitter. The terms of the deal were revised after institutional pressure.

UK COMPANY NEWS

Templeton Galbraith profits slip 6%

TEMPLETON, Galbraith & Hansberger, the offshore fund management group quoted in London, yesterday reported pre-tax profits down 6 per cent from $52.1m to $48.9m (£28.1m) in the year to end-December 1988.

Turnover at $109.1m fell 18 per cent from $133.6m last time, but the company said its elements continued to contain positive trends.

The tax charge fell to $6.15m ($8.49m) and the recommended final dividend of 7.5 cents makes a total of 11 cents (10 cents) a share. Earnings per 1 cent share fell to 26.7 cents (27.3 cents).

Assets under management in the period rose 34 per cent from $10.4bn to $13.9bn, and the number of mutual funds and unit trust products doubled to 26. Templeton International raised new money totalling $2.8bn over the period, an increase principally derived from closed-end fund underwritings.

Investment management, business management of funds and service fees increased by 16 per cent and now represent 64 per cent of turnover, a change attributable tn the increase in both assets under administration and the number of mutual fund shareholder accounts.

Several factors brought abont a decrease of commission income, the most influential being that 72 per cent of mutual fund assets raised were in closed-end funds from which the company derives no commission.

Distribution costs decreased from $62.08m to $34.69m, while the company's global expansion resulted in a 32 per cent rise in administration expenses to $31.2m.

The company said the profitability of its investment advisory businesses, which tend to be in countries with favourable corporate income tax rates, had resulted in a decrease in effective tax rate from 16 per cent to 13 per cent. This reduction had generated an increase in net profit margin from 31 per cent to 37 per cent.

As part of its international strategy the company has gained approval in principle for admission to the Singapore stock exchange, and in Canada its subsidiary has successfully completed the development and implementation of an in-house shareholder servicing system.

● COMMENT

In the three years since Templeton came to the market, the FT-All Share index has risen by about 50 per cent and Templeton's funds under management have doubled; yet its shares are still about 25 per cent below their issua price. It is the sort of undervalued situation which Templeton's investment managers pride themselves on spotting. Although 1988 was a terrible year for the mutual fund industry, a 6 per cent fall in pre-tax profits is a measure of the improving quality of the group's earnings. The sharp fall in retail commission income has been largely offset by investment management fees which now account for close to two thirds of turnover. Meanwhile, Templeton's move into fixed interest products has cushioned its traditional heavy exposure to equity funds. That said a 24 per cent rise in its flagship Templeton Growth Fund, demonstrates that the group's investment performance has not been unduly damaged by its obstinate refusal to invest in Japan. At 163p, the shares are selling at under 10 times prospective earnings.

Plessey deals hindered by bid

By Hugo Dixon

PLESSEY, the embattled UK electronics group, was about to buy a minority stake in a Spanish defence company, and was on the point of concluding several other deals in the defence sector before GEC of the UK and Siemens of West Germany bid for it last November.

The company revealed these previous plans yesterday during a press visit to its radar facilities in Cowes on the Isle of Wight. At the same time, operational management criticised bitterly the Anglo-German consortium's proposals to carve up its defence business between them.

"Chinese walls have been replaced by German barriers as a potential hindrance to our continued success," Mr Peter Venton, managing director of Plessey Radar, said.

Plessey outlined four deals it had been negotiating before the bid but which had been put on ice since then:

- the aquisition of a minority stake in an unnamed Spanish defence company, thought to be in the radar business;
- a joint development project for radar with Thomson of France;
- a joint development and marketing venture in anti-submarine warfare, also with Thomson; and
- a joint marketing egreement with a defence subsidiary of Fiat of Italy in an unspecified area.

Plessey also revealed that it had been awarded orders worth £15m for the third tranche of sonars for the trident submarines and said it was on the point of licensing ITT of the US to manufacture its Navstar global positioning system. end $INSV6; Line WANG2 From Story '#118664'. Job 619.

BOC acquisition blocked

By Nikki Tait

BOC GROUP, the industrial gases producer, has seen its proposed $65.8m (£37.8m) acquisition of the vacuum prodncts division of California-based Varian Associates blocked by the American Federal Trade Commission, the anti-trust regulatory body.

The deal was announced in July, and at the time it was stated that the purchase was still subject to regulatory approval.

Yesterday, in Washington, the FTC said that its concern was based on the competitive implications for supply in the market for Helium-mass spectrometer leak detectors.

BOC commented that it was disappointed by the FTC's decision but will not now be pursue the acquisition.

Varian Vacuum Prodncts was described by the British group as the biggest vacuum component manufacturer in the US at the time the deal was announced.

Yesterday, the British company said that it had believed that the US business would have been complementary to its own Edwards High Vacuum International subsidiary, with which it would have been integrated.

However, it did concede that there were certain areas of overlap. In the specific leak detector market cited by the FTC it was suggested that the number of players would be reduced from two or three to one or two as a result of the transaction.

Leisuretime sued over Worldwide Dryers contract

By Clay Harris

LEISURETIME International, the hotel, nursing home and tour operator, is being sued over its alleged failure to fulfill a contract relating to its purchase of 90 per cent of Worldwide Dryers, a snpplier of warm-air hand dryers, in 1986.

In a writ issued in the High Court on Monday, Mr Geoffrey Mitchell, an ex-director and former half owner of Worldwide, is seeking damages of more than £1.81m plus interest.

Leisuretime paid a nominal £2 for 90 per cent of Worldwide, with the rest to be bought under a complex performance-related formula. Mr Mitchell claims that Leisuretime has failed to pay anything for the remaining 10 per cent, even though it sold Worldwide's assets for £11m in 1987 to BET, the international services group.

Leisuretime said yesterday that it would resist the claim and that it was not making any provisions for damages. The possibility of legal action had been mentioned in several circulars to shareholders over the past year.

Worldwide was Leisuretime's first acquisition under the direction of Mr Tim Aitken, former chairman. Mr Aitken subsequently left the company, which is now under the management control of the Jivraj family.

Thorntons profits surge to £6.86m

By Lisa Wood

THORNTONS, the confectionery retailer and manufactnrer, yesterday announced a pre-tax profit of £6.86m for the 32 weeks to January 7, an increase of 34.4 per cent.

The confectioner, which came to the market last May increased sales by 17.1 per cent to £39.5m, some three per cent of which it attributed to Gartner Pralines, the Belgian chocolate maker which it acquired last July.

Earnings per share increased from 6.21p to 6.93p with the directors declaring an interim dividend of 0.82p per share, an increase of 17.1 per cent on the notional dividend of 0.70 in the prospectus.

Mr John Thornton, chairman and chief executive of Thorntons, said that the increased profits had come from improved margins, finance income on the cash raised by the floatation - £381,000 compared with a cost of £96,000 the previous year - and a profit of £231,000 from property disposals compared with £92,000.

At the beginning of the year the group had 189 of its own shops, 117 franchise outlets and 26 Mary Morrison outlets.

Sales to Marks and Spencer, Thorntons principal own label customer, increased by 13 per cent during the period while exports increased by 70 per cent.

Hickson sees £26.8m

By David Waller

HICKSON INTERNATIONAL, the chemicals, timber treatment and building products group, yesterday accompanied the announcement of a £8.5m acquisition with a forecast that its pre-tax profits for 1988 would be not less than £26.8m.

This is a 33 per cent increase on the £20.1m for 1987 and ahead of the £25m expected in the City. Earnings per share will be about 20.5p, an increase of 31 per cent. The shares rose 6p to close at 236p.

The company said that the increase was due to strong second-half performance at Kerley and at Hickson & Welch.

The forecast was made at the insistence of tha Stock Exchange because of the issue of new shares to finance the acquisition, so close to the formal announcement of the preliminary results on March 14.

Hickson is buying Komfort Systems for £8.5m in total including the assumption of £2m of debt.

The initial consideration is to be financed by a vendor placing of new shares at 226p to raise £6m and the issue of further shares to the vendor. A further cash placing will raise £2m to pay off Komfort's borrowings.

Problems cut AMS profits

By Nikki Tait

FURTHER SERIOUS problems emerged yesterday at AMS Industries, the Lancashire-based designer and manufacturer of studio sound equipment. Profits were slashed from £1.73m to £265,000 in the year to end-November 1988 after reporting £263,000 at halfway.

Mr David Moulds, the non-executive chairman, has resigned.

Earnings per share for the year are down from 3.75p to 0.61p. The company is proposing a final dividend of 1p holding the total for the year at 1.5p. However, two shareholders speaking for 72.6 per cent of the equity are waiving their entitlement to the final payout.

AMS has had an unhappy stockmarket career. Shares were floated at 95p in 1985 and hit a high of 125p in early-1986. But by mid-1986, the company was taking a more cautious view of current trading and later that year delivered a more direct warning. In 1986/7 profits fell from £2.2m to the £1.73m figure.

Yesterday, the shares fell a further 3p to 35p.

The company blames a series of problems for the latest downswing. It said there had been an insufficient improvement in sales - slightly reduced from £6.82m to £6.77m - to offset increased overheads. The company explained yesterday that the latter were partly due to the move to new premises and R&D spending.

Some AMS ranges saw some sales improvements, in particular, sales of AudioFile rose to £3m, the Calrec business, which was acquired in 1986, faced reduced turnover.

Problems were apparently compounded by the fact that "unsuitable" contract orders were taken on at Calrec. AMS said that a breakdown in management systems, so that cost structures were not properly assessed, meant that the profitability of these contracts remained unquantified.

The company added that it had brought in a finance director - never having had one before - and that accountancy systems had been installed. The company changed its auditors last year.

Some low margin Calrec business runs into the current year, but "a move to higher margin products is underway". The aim, was to return to 1986/7 profit levels in the current year although AMS warned that the year would be weighted to the second half.

Mr Moulds, who targeted a profit improvement for the year under review at last April's agm, resigned after finding himself unable to agree with the board's conclusions over the future strategy.

The company said yesterday that it had decided that the year was abnormal and that the best course was to implement controls and soldier on.

"How the hell do you put this lot on your balance sheet?" Mr Mike Angus (above), Unilever chairman, asked yesterday. With several thousand trademarks in its international portfolio, the Anglo-Dutch consumer products group seems unlikely to follow the clutch of UK companies which has recently taken to valuing brands and associated goodwill, writes Christopher Parkes. It is more concerned with the escalating costs of promoting brands. Mr Angus told a news conference called to announce last year's results yesterday that a national product launch in the US could now cost "up to nine figures in dollar terms".

Over 88% take-up for NFC rights issue

By Clare Pearson

NFC, the transport and distribution group, yesterday said that more than 88 per cent of the shares issued under the one-for-eight rights issue that accompanied its £790m stock market flotation last month had been taken up.

The bulk of the 39.91m new shares, which were priced at a deep discount of 130p, were provisionally allotted to NFC's employees, their families and ex-employees.

Together these people accounted for some 83 per cent of the shares before the company, which was formad through an employee buy-out in 1982, joined the stock market via an introduction.

The size of the take-up was higher than many observers had anticipated. It had been thought a greater proportion of NFC employee and ex-employee shareholders would adopt a passive role, leaving the company to sell their entitlements for them through its share dealing arrangements.

Sir Peter Thompson, chairman, said he was delighted that the result indicated NFC's shareholders took an active role in the issue. "Our impression is that significantly more employee and family shareholders took up their rights than we expected."

A special share by a trustee of NFC's share trust has the effect of giving double voting rights to employees, so long as total employee shareholding does not drop below 10 per cent of the equity.

NFC's shares, which closed at 248p on February 7, the first day of dealings, yesterday closed up 5p at 258p.

Associated Brit Consultants for main market at £11m

By Clare Pearson

ASSOCIATED British Consultants, a building and civil engineering consultancy founded in the 1950's, is coming to the main market via a placing of 1.64m shares, or 23 per cent of the enlarged equity. This will capitalise the company at £11m.

About 42 per cent of the shares, which are being placed at 155p each, are being sold by existing shareholders. Brokers to the issue are Girozentrale Gilbert Elliot.

ABC said that part of the purpose of the placing was to increase employee involvement in ABC. Partly through the profit sharing sheme, some 48 employees are already shareholders. Arrangements have been made under which employees may apply for about 5 of the shares in the placing.

ABC is forecasting profits on ordinary activities before taxation of at least £1.6m for the year to end-April, or slightly more than double last time's figure. It will be coming to the market on a prospective price earnings multiple of about 9.5 times.

Hanson disposals continue

By Nikki Tait

THE steady stream of disposals by Hanson, the large UK conglomerate, continued yesterday with news that Devine Lighting is being sold to a management-level investor group for $11m in cash and notes. Devine is a Kansas City-based manufacturer of lighting product and fixtures, bought as part of Kidde, the diversified US conglomerate, in 1987.

UK COMPANY NEWS

Accounting change boosts Cityvision to over £5m

By Vanessa Houlder

A CHANGE in accounting policy helped Cityvision, the USM-quoted video hire group, increase its pre-tax profits five-fold from £1.06m to £5.43m for the year to November 30. The result was boosted by a change in its policy on depreciation, which added £2.0m to the result. Cityvision has increased the period of depreciation for its tapes from 15 months to 30 months - in an attempt to reflect more accurately the useful life of the tapes.

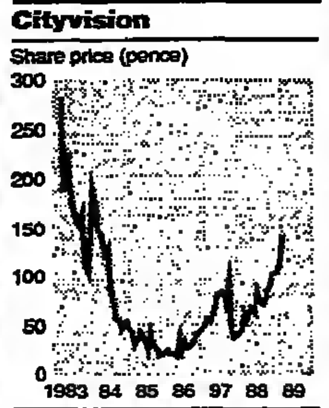
The results exceeded the company's £4.9m profit forecast made last November, although profit taking resulted in the share price edging down 3p to 140p.

Mr David Quayle, chairman, said that like-for-like growth in existing stores was over 20 per cent. Turnover tripled to £14.70m (£4.17m).

During the year, the company's Ritz Video Film Hire chain expanded from 55 to 165 stores, following the acquisition of 48 stores and the opening of 62 stores. Since the end of the year, the expansion programme has accelerated and the company now has 257 stores.

Earnings per share increased from 2.48p to 8.64p. A dividend of 1.0p (0.5p) was declared.

David Quayle: profits above forecast



●COMMENT

In the past two years, Cityvision has metamorphosed from a loss-making video tape distributor to a thriving USM hotstock through the energetic application of an apparently simple idea. The small, slightly sleazy and inefficient small chains which made up the highly fragmented £475m video hire stores market left ample scope for consolidation by a slickly-managed, family orientated video hire chain. True to plan, Cityvision is on target to take a 12 per cent market share at the end of the year - putting it streets ahead of its nearest rivals which have a mere 1 per cent share. Looking ahead, it reckons it can notch up a 20 per cent market share, which assumes such spectacular growth that some in the City are left looking for a catch. But, apart from queries about the depth of the company's middle management, the snags are not obvious. The video market is still growing at 10 per cent and ferocious competion from satellites seems a long way off. Almost alone of the niche retailers, moreover, Cityvision has a cheap formula for organic expansion. It has avoided the escalating rents of the prime retail sites by conceotrating oo unassuming positions close, for example, to local takeaways. Assuming it cootinues to acquire companies hand over fist, forecasts for the current year are difficult. But if it makes profits of £9m, the shares are on a price/earnings multiple of 12. After a steep rise in recent mooths, that is reasonable on a medium-term view, although the convertibles, at present, look the better bet.

Cresta trebles profit to £3.3m and buys four nursing homes

By David Waller

CRESTA Holdings, an Isle of Man-based group, yesterday announced more than trebled pre-tax profits for 1988 and the purchase of four nursing homes in Northern Ireland for a total of £6.5m.

Pre-tax profits for 1988 vaulted from £973,000 to £3.3m on turnover up from £13.6m to £41.7m. Earnings per share were up from 5.5p to 12p and the final dividend is to be 1p per share (0.75p) making a total of 1.5p, twice the 1987 payout.

In an effort to broaden the company's shareholder base, Cresta is seeking to raise £7.1m by placing 8.4m oew shares with institutioos. The price will be 89p per share, a 5 per cent discount to yesterday's opening price.

There will be a clawback for existing shareholders, who will be able to subscribe for the new shares on the basis of 2 for every 9 already held.

Cresta, which joined the market by way of an introduction in 1987, has interests in financial services, property and advertising as well as nursing homes.

Although it aims to grow by acquisition – in three geographical areas, the Isle of Man, Northern Ireland and North West-England – the company said yesterday that organic growth over the current year was "budgetted to be excelleot". Cresta is buying two completed oursing homes, the Croagh Patrick clinic on the coast of County Down and Donaclooey House near Belfast, for £4.3m. The balance of the cash will be spent on two homes to be built to Cresta's specification. The aim is to have 225 beds fully occupied by this autumn.

EFT Group reports 51% improvement to £1.22m

By John Thornhill

EFT GROUP, the Edinburgh-based financial services company formerly known as Edinburgh Financial Trust, lifted pre-tax profits by 51 per cent to £1.22m in the year to December 31, up from £810,000 in the previous period.

Revenue rose 53 per cent to £4.15m (£2.72m). Earnings per share climbed by 30 per cent to 3.25p (2.5p) and the proposed final dividend of 0.5p (0.25p) makes a total of 0.7p, double last year's 0.35p.

Mr Peter Stevenson, who became exective chairman last Friday following the resignation of Mr Hugh Barry, the acting chairman, said that the issuing house subsidiary, Edinburgh Financial Trust, had had a record year. It had given advice on 18 transactions with a total capital value of about £95m.

The addition of Stevenson Trust, Mr Stevenson's investment banking and corporate finance company, from January 1989 would increase the spread and quality of the client base, he said.

The asset finance group, EFT Finance, broke into profit in September 1988, 15 months after its formation, and increased its net outstanding finance contract receivables by £14.7m to £19.2m.

Glasgow Investment Managers, EFT's investment management subsidiary, increased external funds under management by 15 per cent to £110m. In July it launched a £14.5m investmeot trust, Glasgow Income Trust, by way of a subscriptioo offer and a Stock Exchange listing.

Mr Hamish Grossart, managing director, said yesterday that the group was ambitious to expand into a more broadly-based investmeot banking group throughout the UK and overseas.

In the next two to three years EFT hopes to add developmeot capital management and treasory managemeot activities to its business and develop a presence in London. "It is difficult to arrange business in the shuttle lounge," he said.

● Caparo Investment has sold 1.5m shares in EFT to Dundee and London Investment Trust and no longer has a disclosable stake.

FSM option lapses

Ford Sellar Morris Properties, the USM-quoted property group, has allowed its option to acquire a 74.1 per cent stake in privately-owned London & Overseas Land to lapse.

"Having looked at the company, we didn't feel it was right for us to proceed" said Mr Irvine Sellar, chief executive.

Pickwick held to 10% rise

By John Thornhill

A DISAPPOINTING December and high capital expenditure restricted the rise in profits at Pickwick Group, the distributor of records, cassettes and videos, to 10 per cent in the year to December 31.

Pre-tax profits rose to £3.3m (£3m) on turnover up 31 per cent to £41.48m (£31.76m).

The growth in overall turnover came about through a substantial increase in sales of video products which accounted for 61 per cent of the group's total turnover base compared to 50 per cent the previous year.

Commenting on the results, Mr Ivor Schlosberg, chief executive, said higher interest rates had resulted in retailers keeping stocks to a minimum in what was normally the busiest trading period in December.

The company had also spent £4m from its own resources on financing the development and acquisition of new product lines and other capital expenditure.

Several projects have now beeo completed including building mechanised video and mail order warehouses and a video production and sound studio complex. The company has also introducted new computer systems, integrated the newly-acquired Old Gold record company and restructured distribotion arrangements with major retailers.

"At some stage we had to bite the bullet and invest in new infrastructure," said Mr Schlosberg. The results reflected Pickwick's transition from a small to a medium-sized company, he added.

He was cautious about how long it would take the group to consolidate these investments. But once it had done so "it would allow the management space and time to expand into new and complimentary areas of business," he said.

Pickwick has introdoced a new range of Ladybird videos inassociatioo with Pearsoo, which owns Penguin, Longman and the Financial Times, and is hoping to develop this relationship in other areas. Last year, Pearson acquired a 21.2 per cent holding in Pickwick.

Mr Schlosberg said that there was great competition for retailers' shelf space and this had affected sales of children's books and cassettes during the second half. In response to this, Pickwick had launched a Video Playpack range which included a video, book and cassette and this had produced an encouraging response.

Earnings per share rose to 9.8p (8.9p) and a final dividend of 2.25p (1.8p) was recommended, making a total of 3.25p (2.6p).

PUBLIC WORKS LOAN BOARD RATES

Effective February 24

Years	Quota loans repaid by EPT	Quota loans repaid AT†	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT	Non-quota loans A* repaid AT†	Non-quota loans A* repaid at maturity§
1			12⅛			12⅞
Over 1 up to 2	11⅞	11⅞	11¼	12⅞	12⅞	12
Over 2 up to 3	11½	11⅝	10⅞	12½	12⅝	11⅝
Over 3 up to 4	11⅜	11⅛	10⅝	12⅜	12⅛	11⅝
Over 4 up to 5	11	10⅞	10⅝	12	11⅞	11⅝
Over 5 up to 6	10⅞	10⅝	10⅝	11⅞	11⅝	11⅝
Over 6 up to 7	10⅝	10½	10⅝	11⅝	11½	11
Over 7 up to 8	10⅝	10½	10⅝	11⅝	11⅛	10⅞
Over 8 up to 9	10⅝	10⅝	10⅛	11⅝	11⅛	11⅛
Over 9 up to 10	10⅝	10⅝	10⅛	11⅛	11⅛	10⅞
Over 10 up to 15	10½	10⅛	9⅞	11	10⅞	10⅞
Over 15 up to 25	9⅞	9⅞	9⅞	10⅞	10	9⅞
Over 25	9⅞	9⅞	9⅞	9⅞	9⅞	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

News Digest

STAT-PLUS

Profits jump 35% to £5.04m

STAT-PLUS GROUP, legal stationery supplier, achieved a 24 per cent increase in sales to £12.6m and 35 per cent increase in pre-tax profit to £5.04m for 1988, despite a downturn in the housing market which produces much of its business.

Earnings per 5p share were up 36 per cent to 15.1p and the company is proposing a final dividend of 2.25p per share, giving a total of 3.5p (2.25p).

Mr Derek Bird, chairman, said: "The last few months of 1988 proved to be a challenging time for Stat-Plus because of the reduction in conveyancing brought about by the slowdown in the UK property market."

The company remained cautious about the first six months of 1989, predicting that the level of home buying would remain depressed while interest rates remained high.

MURRAY INCOME

Net asset value advances 10%

Net asset value of Murray Income Trust stood at 216.1p per ordinary and "B" ordinary at December 31 1988, compared with 196.8p a year earlier, an increase of 10 per cent.

Net revenue for the six months improved by 30 per cent to £3.67m (£2.83m) for earnings per share 1p ahead to 4.41p. The interim dividend is lifted 1p to 3.5p, as already announced, and will be paid in three equal instalments. Directors forecast a 7.8p total for the year to June 1989, and an interim for 1989/90 of 5.49p.

They said that in late autumn the company increased its exposure to euro equities prior to the strong rallies in those markets and increased its UK equity exposure, thus entering the recent strong rise in UK stock markets fully invested.

GRAFTON GROUP

All-round improvement

Grafton Group, Irish maker and retailer of building and diy products, saw pre-tax profits for 1988 rise 73 per cent from £1.27m to £2.19m (£1.84m) with all divisions improving profitability.

Turnover was £53.27m (£49.48m). After tax of £533,000 (£361,000) stated earnings per share were 13.3p (7.4p). The directors are proposing a final payment of 2.5p making a total for the year of 4p (3.1p).

CHAMBERS FARGUS

Profits static at £335,000

Chambers & Fargus, seed crusher and edible oil refiner, reported little changed pre-tax profits of £335,000 for the six months to December 31.

Turnover was 17 per cent higher at £9.48m, against £8.08m.

From unchanged earnings per 5p share of 4.5p the interim dividend is maintained at 1p. Tax was £117,000 (£115,000).

During the early weeks of the present half the seed crushing and oil refining plants operated at high volumes, the directors said.

HIGH POINT

Development costs limit rise

High Point, scientific services company, reported taxable profit higher at £797,000, against £659,000, for the six months to the end of November 1988. Turnover increased from £13.15m to £19.16m.

After higher tax of £311,000 (£237,000) earnings per 10p share came out at 9.8p (8.88p). The interim dividend has been raised to 3.25p (3p). The comparatives have been adjusted as Rendel Palmer and Tritton is now treated as a wholly-owned subsidiary.

The results have been affected by the acquisition and reorganisation of London Scientific Services and the strengthening of the Rendel Palmer and Tritton brand name.

BENSONS CRISPS

Profits up 42% to over £1m

Bensons Crisps, USM-quoted manufacturer of crisps and snacks, reported a 42 per cent increase in pre-tax profits from £722,529 to £1.03m in the year to November 26 1988.

Sales rose by 17 per cent to £14.7m (£12.6m). After an increased interest charge of £5,073 (£1,679) and tax of £335,344 (£285,251) earnings per 10p share were 9.3p (5.9p).

A final dividend of 1.25p is proposed making 1.75p for the year. This compares with last year's payout of 0.5p, the first dividend to be paid since 1983.

Mr Malcolm Jones, chairman, said sustained investment in both products and plant had enabled Bensons to remain on course with its profit objectives within a highly competitive trading climate.

MONTHLY AVERAGES OF STOCK INDICES

	Feb.	Jan.	Dec.	Nov.
Financial Times				
Government Securities	88.72	87.66	87.00	88.23
Fixed Interest	97.87	96.92	95.85	97.25
Ordinary	1678.2	1543.5	1468.4	1478.1
Gold Mines	164.5	168.6	170.6	175.1
SEAQ Bargains (5 p.m.)	32,206	32,174	18,948	24,100
F.T.-Actuaries				
Industrial Group	1083.15	994.82	926.96	969.40
500 Share	1156.47	1064.72	994.41	1034.07
Financial Group	751.74	704.45	671.35	688.51
All-Share	1059.28	976.15	914.58	948.92
FT-SE 100	2045.2	1891.7	1789.7	1818.0

	Feb. High	Feb. Low
Ordinary	1714.7(8th)	1644.2(27th)
All-Share	1082.84(8th)	1039.40(27th)
FT-SE 100	2086.2(8th)	1996.7(27th)

JOBS

How countries rank in executive car league

By Michael Dixon

"COULD ONE have the temerity to ask for a bit more sparkle?", inquires Paul Goodman, of Ruislip, in less than gruntled response to the Jobs column's recent efforts.

Alas, sparkle does not come to order, especially in the few months before the Spring Equinox. But this week's topic should enable me at least to put a gloss on things, if not a high polish. For the topic – which I hear is still among the hottest in executive lunch-rooms – is company cars, and their prevalence as a managerial perk across most of Europe.

The information is drawn from the latest of the annual surveys by the Brussels-based consultancy, Executive Compensation Service, part of the international Wyatt group. Anyone wanting full details of the study, which covered 1,394 companies of various sizes and types in 17 countries, should contact Paul Curley of ECS at 273 Avenue de Tervuren, 1150 Brussels, Belgium; tel (02) 771 99 10, fax (02) 762 37 43.

PERCENTAGES OF DIRECTORS RECEIVING A COMPANY CAR:

	Chief execs	Marketing	Sales	Finance	Admin	Personnel	Production	Engineering	Research	D-P
Ireland	100	100	100	100	–	100	100	100	–	–
Finland	100	100	100	95	100	100	100	100	100	–
UK	97	96	99	96	95	99	100	98	95	96
Norway	100	100	92	86	100	–	–	100	–	–
Sweden	100	100	91	94	88	93	90	100	100	100
Denmark	100	91	100	95	–	67	67	94	–	100
Portugal	91	90	98	93	81	83	87	76	79	100
Belgium	96	96	92	85	78	83	71	76	73	77
Netherlands	92	96	91	88	72	79	74	77	81	73
Austria	100	94	95	78	83	67	60	75	–	–
Germany	95	82	92	74	84	70	74	88	75	50
Italy	94	89	86	81	70	73	67	63	72	64
Luxembourg	100	93	98	67	50	56	65	63	87	–
Greece	84	85	75	56	50	84	85	42	80	–
Spain	91	87	80	77	50	61	81	54	50	56
Switzerland	84	78	74	60	57	58	40	75	55	–
France	88	78	80	60	59	53	47	60	44	38

Figures include allowances in lieu of cars in minority of cases

All I have space to report is two aspects of the findings. But before doing so I'd better stress that while the survey is the most comprehensive study of company cars known to me, it refers only to the organisations which took part. It cannot be taken to reflect the prevalence of four-wheeled perks among all companies in the 17 lands.

The first of the two aspects is the national variances in the percentages of board-level managers receiving cars. The figures for chief executives and directors of nine specialisms including data-processing are shown by the table above, in which each country is ranked by its all-directors average.

As may be seen, the United Kingdom – where companies are reputed to be the world's most generous in awarding cars – comes third behind Ireland and Finland. But their scores are based on small samples of companies: 15 in Ireland and 34 in Finland. The number in fourth-ranked Norway, too, was only 27.

So it is possible that the UK, where the sample was 149, should really head the league. What is more, although the ECS study does not show the extents to which four-wheeled perks are received by executives below board level, other evidence indicates that they are far more commonly awarded to middle managers in Britain than anywhere else.

But the ECS survey does take account of more junior executives in another aspect of its findings. Companies taking part were also asked which types of cars they supplied to their middle as well as top managers. And by giving points to each type according to the frequency with which it was named, I have compiled "popularity leagues" for the various levels of management. The leagues are based, not on individual models, hut on series thereof. For example, all Audi 100s are lumped together despite differences in engine details or even size, let alone other trimmings.

A total of 61 such series were mentioned. When all levels of management are combined, the European Top 20 were:

Make and series of car	*% of points*
Audi 100	10.7
Ford Scorpio/Granada	8.3
Renault 25	6.9
BMW 500	6.8
Opel Omega	5.7
Mercedes 200	5.6
Volvo 700	5.6
Ford Sierra	4.4
Saab 900	3.4
Renault 21	3.3
BMW 300	3.1
Volvo 200	2.9
Peugeot 505	2.7
Citroën BX	2.2
Opel Vectra	1.7
Lancia Thema	1.7
Audi 80	1.6
Honda Accord	1.4
Lancia Prisma	1.4
Mazda 626	1.3

The two Opel series, the Omega and Vectra, are better known in the UK as Vauxhall Carltons and Cavaliers.

Among chief executives, the most popular six were:

Mercedes 200	14.4%
Volvo 700	13.1%
Audi 100	11.4%
BMW 500	10.8%
Renault 25	10.4%
BMW 700	7.2%

The equivalent ranking for the other directors was:

Audi 100	11.1%
Ford Scorpio/Granada	9.7%
BMW 500	7.6%
Renault 25	7.1%
Opel Omega	6.2%
Mercedes 200	5.5%

And the top half dozen for the middle managers were:

Ford Sierra	8.9%
Audi 100	8.7%
Opel Vectra	6.9%
Opel Omega	6.2%
Audi 80	5.3%
Renault 21	4.8%

The Audi series' success at all levels put the parent Volkswagen group first among the 16 manufacturers of the 61 types named, with 14.3 per cent of total points. Ford was second with 13.2 and Renault third with 12.3.

The four Japanese makers mentioned (the two listed earlier plus Nissan and Toyota) collectively scored only 3.7 per cent. Bnt they did better than ths UK pair: Rover with 1.6 per cent and Jaguar with a mere 0.4.

The Royal Bank of Scotland Group plc

GROUP HEAD OF CORPORATE COMMUNICATIONS

The Royal Bank of Scotland Group plc is seeking to appoint a Group Head of Corporate Communications, reporting directly to the Group Chief Executive.

This is a senior appointment within one of the UK's largest financial institutions, The Royal Bank of Scotland Group.

The Royal Bank of Scotland Group is a broadly-based financial services group, with assets in excess of £20 billion, and operations spanning clearing banking, investment banking, financial services, investment management, insurance and travel, both in the UK and overseas.

The communications professional we are seeking is likely to be aged between 35 and 40, have an outstanding grasp of all aspects of communications, including Investor Relations, Media Relations, Government Relations, Internal Communications, Sponsorship, Advertising, Print and Videos. The individual must have not only the experience, but also the personality and authority to be able to plan, implement, monitor and control communication programmes and communication standards, throughout an increasingly large Group.

The compensation package is fully commensurate with the seniority and importance of this Group role.

The position is based in Edinburgh, and requires extensive travel primarily, but not exclusively, within the UK.

If the fit is right, write to the Group Chief Executive, enclosing an up-to-date curriculum vitae, to the address below:

The Royal Bank of Scotland Group plc
Department IMD, 42 St. Andrew Square
Edinburgh EH2 2YE

All communications will be treated in the strictest of confidence.

The Royal Bank of Scotland Group plc

U.K. Investment Group

Discretionary Private Clients

The City **£ neg.**

Our client is a U.K. investment institution with a full range of international services and is particularly well-known for its unitised on and off-shore products.

They currently seek a professional private client fund manager to work alongside the institutional team, and to run a group of U.K. and Overseas Discretionary Accounts invested in the full range of equities, fixed interest, unit trusts, etc.

The job calls for a man or woman with at least five years, possibly a great deal more, experience of private client work. He or she is probably currently working for a stock-broker or in a merchant bank's fund management company.

The preferred candidate will probably be something of a generalist and a person with good communication skills who appreciates the individuality of clients.

Whilst applications would be welcome from people with their own private client accounts, this is not a requirement of the job; nor have formal age limits been set.

Please apply in confidence, quoting Ref. 939 to Keith Fisher, Partner, at Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London, EC4R 1AD. Tel: 01-248 0355.

Overton Shirley & Barry

ANDERSON, SQUIRES LONDON · PARIS · FRANKFURT

BANKING AND FINANCE

RECRUITMENT CONSULTANCY

We are are a specialist international recruitment company serving the banking and financial community in London and other European financial centres.

Our reputation has been earned through the application of professional standards, integrity and confidentiality with clients and candidates.

We require additional consultants to join our team to assist in the implementation of plans for further growth in the City and Overseas. Individuals with fluency in French or German may be interested in opportunities in our European offices.

To succeed you must exhibit flair and enthusiasm coupled with excellent interpersonal skills. You must possess a desire to succeed in a competitive and demanding environment. If your experience includes banking or financial marketing and you are considering a change of career, or you have a background in financial recruitment, we would be pleased to meet you for a confidential discussion.

This is a highly competitive business which demands commitment and hard work. It offers tremendous personal satisfaction in establishing long term relationships with clients and candidates.

If you wish to discuss these opportunities please telephone or write in confidence to the Managing Director.

ANDERSON, SQUIRES LIMITED
Financial Recruitment Specialists
127, Cheapside, London EC2V 6BU
Telephone 01-606 1706 Telefax: 01-726 4031

A Member of the Parkinson Group of Companies

BANKING · TREASURY · SECURITIES · OPERATIONS

M. Y. HOLDINGS plc

CORPORATE DEVELOPMENT EXECUTIVE

Barnet, North London **Circa £30,000**

M.Y. Holdings is an Industrial Holding Company manufacturing and marketing packaging and consumer products. Acquisitions combined with organic growth have created the need for a new position reporting directly to the Group Chief Executive. The Corporate Development Executive will work on a wide range of projects with a major emphasis on identification and analysis of suitable acquisition opportunities.

The successful candidate, ideally aged between 30 -35, must have strong negotiating and industrial management skills and have the natural drive and confidence to operate successfully without close supervision. An accountant, an MBA or similar are likely qualifications as highly developed financial analysis work will also be highly desirable.

Salary, Company car, benefits and relocation package will all be competitive and designed to attract the best candidates.

Applications in writing, with full C.V., age and current salary to:
R.A. Campbell, Chief Executive, M.Y. Holdings plc,
Moxon Street, Barnet, HERTS EN5 5TR

UNIT TRUST CONSULTANCY

Selling at the most professional level
c.£22k + car + benefits. Central London

Professionalism is paramount at Prudential Holborn. One of the fastest growing businesses in the high net-worth market, our aim is to be THE provider of prestigious savings and investment products for individuals with high income.

Already our Unit Trusts are recognised as some of the highest performers in the industry. Following internal promotion, we now seek an exceptional Unit Trust Sales professional who will ensure that our products retain and increase their high profile among leading stockbrokers and other large intermediaries in London.

Your challenge will be to maintain effective business relationships, keeping intermediaries up-to-date with all the latest developments in the Unit Trust market, worldwide financial movements and, of course, the latest information concerning our products. This is selling at the most sophisticated level - professional to professional. Your informed and intelligent contribution to discussions will establish your credibility and build upon Prudential Holborn's credentials for both our products and the support we provide.

We are looking for a proven achiever who can establish the right climate for business development and operate in "partnership" both with intermediaries and colleagues in other disciplines. Probably a graduate in your late-20's or in your 30's, you should have at least five years background in selling financial services including experience of selling Unit Trusts in London. Current knowledge of and interest in Unit Trusts, world markets and investment products is essential.

The salary package will fully reflect your experience and potential and generous benefits include low-interest mortgage and a non-contributory pension.

For further details, in strictest confidence, please telephone or send your c.v. to Hilary Cunningham, Assistant Personnel Manager, Prudential Holborn Limited, 30 Old Burlington Street, London W1X 1LB. Tel: 01-439 3134.

PRUDENTIAL HOLBORN

FOREIGN EXCHANGE CHIEF DEALER

The Bank of California London Branch, is seeking a highly motivated individual to fill the position of FX Chief Dealer.

The ideal candidate will have a minimum of 5 years experience as an F.X. dealer.

For confidential consideration, please submit C.V. and salary history to:

The Manager
The Bank of California N.A.
18 Finsbury Circus
London EC2M 7BP.

MARKET POSITIONS

A growth Orientated Japanese Bank currently requires a Spot $/Yen Trader with 3-5 years experience. c.£40,000.

A quality International Bank wishes to appoint a bright, aggressive Spot $/DM Trader for its London operations. c.£35,000.

Please contact Jon Taylor on 236 5881 or write enclosing a curriculum vitae to: 49 Queen Victoria Street, London EC4N 4SA.

Christopher Little Consultants Limited

DG BANK
Deutsche Genossenschaftsbank

Sales EUROBONDS

We are looking for an experienced sales person who is German speaking to compliment our existing team.

If you have at least 3 years' sales experience in multi-currency Eurobonds you could be the person for us.

You will be based in our London Office.

Please send your full C.V. to:
DG Bank
Personnel Department
10 Aldersgate Street
London EC1A 4XX
Tel: 01-726-6791

FINANCIAL OPPORTUNITIES

CORPORATE DEALER
Various houses require Corporate Dealers ranging from 2 years experience for Assistant positions to 5 years experience for Senior positions. All candidates should have a good working background, and good product knowledge. Please call Julie Shelley.

BOND SALES
Good experience required of Multicurrency Bond Sales with the emphasis on CANS, US$, AUS$, with the coverage being Germany. Top package. Please quote reference DF/151

BOND SALES
Good experience required in selling DM's and French FRancs with the coverage being U.K. Institutions. Please call Richard Ward.

CONVERTIBLE SALES
Major house requires a Coovertible Sales person with a minimum of 5 years experience. Excellent package. Please call Julie Shelley.

BUNDS TRADER
Good experience required for various houses. Fluency in German would be an advantage. Please call Richard Ward.

CAMBRIDGE APPOINTMENTS,
232 Shoreditch High Street, London E1 7HP. Fax No. 377 0887
01-377 6488

Foreign Exchange

Senior Dealer

The Treasury Division of Kleinwort Benson wishes to recruit a senior foreign exchange dealer to fulfil a "hands on" managerial role as deputy to the Assistant Director in charge of FX trading.

The applicants must be highly motivated and have a minimum of 5 years active spot trading experience.

A knowledge of currency options would be advantageous.

The successful candidate will receive a competitive remuneration package.

Please apply in writing with full CV to:

Sioned Exley, Personnel Officer,
Kleinwort Benson Group, P.O. Box 191
10 Fenchurch Street, London EC3M 3LB

All applications will be dealt with in strictest confidence.

Kleinwort Benson Group

APPOINTMENTS

ADVERTISING

Appears every Wednesday and Thursday

for further information call 01-248 8000

Deirdre McCarthy ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Candida Raymond ext 3351

Patrick Sherriff ext 4627

Property Finance Manager

Major Player — c.£40,000

Due to planned expansion, an opportunity exists for an experienced banker to join one of London's most significant and successful property financing teams. Based within a prestigious AAA rated international bank with one of the world's largest balance sheets and a commitment to use it, the group both leads and participates in a range of major transactions. The department handles both development and investment finance and is noted for its off-balance sheet solutions.

Ideally you will be a graduate aged around 30, with some experience in property financing and perhaps with a relevant professional qualification. You will certainly have benefitted from a thorough banking training. You should be able to demonstrate a quality track record of successfully completed financing deals. An understanding of property funding and awareness of current market developments would be attractive.

The bank can offer a competitive salary and benefits package to the right candidate and can promise both responsibility and an input to policy making. The successful individual can anticipate a challenging yet secure career with good prospects for promotion. In return, the bank will expect enthusiasm, dedication, initiative and a professional approach to property finance.

Interested applicants should contact the retained consultant, **Mark Hartshorne,** on 01-831 2000 or write to him at

Michael Page City,
39-41 Parker Street,
London WC2B 5LH.

MP

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Analysts

As a leading Securities House, our client now forms an integral element within one of the U.K.'s leading Merchant Banking groups. Fleet Partnership has been retained to assist in the selection of outstanding analysts in the following sectors.

* Building
* Property
* Engineering
* Banking and Financials
* Stores
* Food/Retailing

In order to qualify candidates will undoubtedly have already built a sound analysis and research reputation in the City.

Contact, in total confidence, **Elizabeth Sullivan.**

the *fleet* partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24 hours) Fax: 01-831 4304.

Jonathan Wren Leasing

ASSET FINANCE PROFESSIONAL — £very neg

Applications are sought from senior asset finance specialists currently enjoying a well *deserved professional reputation* within a major merchant/international bank or leading 'packager'. The successful applicant's prime function will involve the marketing and structuring of major asset finance packages and the provision of a financial advisory service to leading international companies. Aged 32 to 37 years, of graduate calibre, the appointee will possess a sound knowledge of current UK, US and European markets, the professional expertise to identify business opportunities and the inherent technical ability to formulate complex financial packages. Both the level of the appointment and the high degree of responsibility are reflected in the excellent incentive-related remuneration package.

MARKETING MANAGER — to £40,000 plus full benefits

A leading merchant bank seeks applications from ambitious marketing professionals aged 28 to 36 years, experienced in the identification and development of middle/big ticket leasing opportunities. This is a highly challenging opportunity and therefore a successful track record in negotiating, pricing and structuring transactions is a prerequisite. The appointee will be required to establish and maintain relationships with existing/potential customers, major suppliers and various 'packagers'/intermediaries within the leasing industry. An attractive basic salary and full banking benefits are offered in return.

SENIOR CREDIT MANAGER — £35,000 plus substantial benefits

Increases in both business volume and complexity of transactions have resulted in an urgent requirement for highly competent credit specialists for two of our most valued clients. Suitable applicants, aged 32 to 40 years, having benefited from a thorough credit training within a banking or leasing environment, will clearly demonstrate sound analytical skills applied at senior level within a specialist credit function. The depth of their previous credit experience and knowledge of asset based finance will ensure the accurate preparation of detailed credit proposals in respect of complex middle/big ticket transactions. Responsibilities will also include the training of additional personnel and involvement at credit committee level.

If you are interested in any of the above vacancies, or would like to discuss the market in general, please telephone Jill Backhouse or Peter Haynes, or forward a detailed curriculum vitae in strict confidence.

LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

Marketing Director — Financial Services

London — c. £40,000 + car + bonus etc

Part of a prestigious Group, our client is a leading provider of finance to a broad range of corporate and private customers. The company operates through decentralised divisions, each tailored to meet the needs of the market sector it services.

Assisted by a small executive team and with indirect responsibility for divisional marketing management, the Marketing Director will provide a strategic marketing resource to maximise penetration of existing markets and develop new ones. He or she will also be the custodian of corporate image and quality standards.

Candidates should have a proven record in all aspects of marketing, gained within a marketing-led consumer or business-to-business services organisation. Previous experience of financial services marketing is highly desirable, as is experience of the function within a decentralised environment.

The benefits package includes a quality car, mortgage subsidy, executive pension scheme and relocation assistance where appropriate.

Please write – in confidence – giving a daytime phone number to Ann Rodrigues, ref. FT.41027.

MSL International

MSL International (UK) Ltd,
32 Aybrook Street, London W1M 3JL.
Offices in Europe, the Americas, Australasia and Asia Pacific.

NATIONAL DEBT OFFICE
DEPARTMENT OF FINANCE
IRELAND

The National Debt Office of the Department of Finance arranges the funding of the Irish Government's borrowing requirement and actively manages the outstanding debt. The Office wishes to appoint highly qualified persons to fill the following senior posts.

Senior Commercial Paper Dealer
Senior Monetary Economist

SENIOR COMMERCIAL PAPER DEALER

The National Debt Office operates Commercial Paper programmes, at present totalling $500 million, in both the US domestic market and in the Euro-market. In addition, special tranches of short term paper, at present totalling $200 million equivalent, are sold in Ireland to multi-national companies under Section 69 of the Finance Act 1985. These operations are an integral part of the Exchequer's short-term debt and money management strategies and offer access to arbitrage and swap opportunities in a number of currencies.

An opportunity exists at a senior level for a person with the necessary skills and experience who will take responsibility for the day-to-day running of the programmes and who in particular will

(i) place and distribute Ireland's Commercial Paper and Section 69 Securities through a wide spectrum of agent banks in Dublin, New York and London;
(ii) continue to improve the price performance of the Paper;
(iii) take advantage of yield curve opportunities; and
(iv) arrange the most cost-effective foreign exchange swaps into appropriate currencies.

The person appointed will have an accomplished and proven background in Commercial Paper dealing or have similar money management and foreign exchange swaps experience, and will fit readily into the Office's foreign borrowing and debt management team. A working knowledge of a wide range of financial engineering techniques would be an advantage.

SENIOR MONETARY ECONOMIST

Qualified candidates will have a

— first or second class honours degree in economics or equivalent qualification;
— strong analytic background in monetary economics with an expert knowledge of financial markets;
— significant experience gained from working in an appropriate financial organisation;
— good communicative skills.

The successful candidate will be a committed professional within the National Debt Office, while at the same time working as part of a team in a key advisory role. He/she will be capable of

— advising on future movements in interest and exchange rates, and coming to convincing conclusions in these areas;
— making a major input to strategic decisions on Government borrowing and to liability management;
— acting as the Office's professional economic adviser in dealings with rating agencies, other international bodies and commercial financial institutions.

The remuneration available to the successful appointees will be negotiable, but will be competitive and reflect the importance that the Office attaches to these appointments. The appointments will be for a three-year full time contract period.

Qualified persons interested in these appointments should send a complete curriculum vitae, in strict confidence, to Stephen O'Neill, Head of Personnel, Department of Finance, Government Buildings, Upper Merrion Street, Dublin 2 before 17th March 1989.

THE DEPARTMENT OF FINANCE IS AN EQUAL OPPORTUNITIES EMPLOYER.

Italian Financial Organisation

Is seeking skilled Futures Trader, specialised in currency dealing an advantage. Excellent career opportunity, resident Milan.

Please call Mr. Bruno on 010.392.6596251 or send C.V. for his attention to 10 Tucker Close, High Wycombe, Bucks.

CREDIT OFFICER

Our client, a small and progressive International Bank, is currently expanding its credit/marketing team and seeks to recruit an accomplished Credit Analyst, preferably a graduate, with potential for future advancement, aged e-m 20s. Experience of asset related finance would be a distinct advantage. Undertaking a full marketing support role, the position offers reward and challenge.

Salary: to £25,000 p.a.
Contact: Maggie Griffiths

ACCOUNT OFFICER

Opportunity for a well educated, well qualified Account Officer to join a small section at a leading International Bank, marketing to top name UK corporates. Good customer skills, resourcefulness and the ability to use initiative will be called upon within a vigorous, expanding environment offering excellent career development possibilities.

Salary: to £30,000 p.a.
Contact: Maggie Griffiths

CREDIT ANALYST

The London operation of a highly reputable European Bank requires an additional Analyst to join a specialist Corporate Finance team targeting mid-market clients. Candidates are likely to be graduates with a minimum of two years' corporate credit experience gained within a bank environment.

Salary: to £25,000 p.a.
Contact: Frank Hoy

ACCT. MGR. — PROPERTY

A prime name European Bank, strengthening their London capability, has identified a new position for a person offering three years' experience of specialist property lending. Principal duties will involve structuring and arranging property related project lending and account relationship responsibilities.

Salary: to £35,000 p.a.
Contact: Frank Hoy

GORDON BROWN & ASSOCIATES LTD.
RECRUITMENT CONSULTANTS

5TH FLOOR, 2 LONDON WALL BUILDINGS,
LONDON EC2M 5PP
TEL: 01-628 7601 FAX: 01-638 2738

Gordon Brown

GLOBAL FIXED INCOME SPECIALIST

One of the world's largest and most respected Global Investment Management Companies seeks a highly talented self motivated global fixed income specialist.

The successful candidate will have 2-5 years broad based experience in international fixed income investment management and research. Good communication skills are essential.

A fully competitive compensation package commensurate with experience is offered together with prospects for rapid career advancement and the immediate opportunity to become a key member of the London-based team.

Please reply in strict confidence, providing C.V., to Box A1147, Financial Times, 10 Cannon Street, London EC4P 4BY

Legal Appointments Advertising

Appears every Monday

for further information
call 01-248 8000

Wendy Alexander ext 3526
Patrick Sherriff ext 4627
Elizabeth Rowan ext 3456
Candida Raymond ext 3351

ANALYST INTERNATIONAL FINANCIAL MARKETS

CITY **£35K +**

Our client is one of the world's most respected credit rating organisations whose reputation is built upon the quality of its analysis, together with the professionalism and integrity of its staff.

Their London office, which provides analytical rating services to the International Capital Markets, is now looking to recruit a high calibre graduate, preferably with an MBA.

Following a period of training in New York, you will join a team of professionals in London focused upon the rating of structured financings. Analysis of a variety of complex factors which impact on this market, working closely with merchant banks and issuers and accurately communicating our clients opinions, all form part of the individual and team function. As a result this position offers the very real opportunity to positively influence this rapidly expanding financial market.

Candidates will need to demonstrate a creative, yet practical approach to work, combined with the self-motivation, diplomacy and communication skills necessary to respond to this undoubted challenge. A familiarity with financial markets would be a strong advantage as would knowledge of a European language.

Please write in confidence or contact for further information:

Gill Pembleton,
Well Court Associates,
11 Well Court,
London EC4M 9DN.
Tel: 01-236 0723.
Fax: 01-489 8305.

SENIOR MANAGER UK CORPORATE LENDING

The opportunity to lead the UK Marketing Team at one of the world's largest banks.

Your objective will be to build up the Bank's business with UK corporates by leading the marketing effort to expand the client base. The target will be to develop the loan portfolio with major and middle sized UK companies.

The Bank is long established in London, and has witnessed substantial growth in recent years. It has a broad and sophisticated product range: in addition to traditional corporate lending it is active in treasury, cross-border lending, and special finance including more complex loan arrangements in property, mergers and acquisitions and aircraft financing.

We invite applications from candidates with substantial experience of lending to UK business, gained at a senior level in a major bank. You must be able to show evidence of outstanding achievement in marketing, and of the management skills required to lead a team of professionals. The Bank seeks to appoint a top quality banker, with the ability to play a leading and active part in its expansion in London, and will negotiate a package to achieve this.

To apply, please write or telephone **John Sears, John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Telephone 01-222 7733.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

THE BLOOMSBURY GROUP

TREASURY/FUND MANAGEMENT COMPTROLLER

£85,000 basic + bonus + benefits

The assistant General Manager who will fill this senior post will report directly to the general Manager of this British bank. the institutioo has a stroog track record in Treasury and capital Markets business and in International Fund Management, where it has over $2 billioo invested, largely io fixed-income securities. We are seekiog applicaots, aged 35-50, who are currently in senior positions within a bank's treasury team or in a corporate treasury. Ioterested candidates should also have a broad exposure to fixed income products and fund management techniques. Equally important are demonstrable management skills and the ambitioo to develop them further withio a progressive environment.

This is a seoior post offeriog ao excelleot remuneration package appropriate to the level of responsibility involved.

To discuss this further lo strictest coofidence please contact Lucy Hartley at the Bloomsbury Group oo 01-831 9988.

FUND MANAGER – US EQUITIES

The opportunity to run the North American unit trusts in a top quality UK institution.

This position will appeal to a young US Equities Fund Manager who is looking for the opportunity to run performance funds. It is newly created and has arisen as a result of our client's continued growth and increasing specialisation. As a key member of the US desk you will have specific responsibility for running the North American unit trusts.

You are likely to be in your late twenties or early thirties and will have gained a minimum of 2/3 years' experience in US Equities fund management. Although this need not have been on unit trusts, you must be able to demonstrate a good record of performance in managing US Equity investments.

The Company is a major force in investment management in the UK and enjoys a fine reputation for the quality of its services and its team-orientated management style. The position carries a highly competitive remuneration package, including a Company car and concessionary mortgage. If you would like to be considered, please telephone **Michael Thompson** on **01-222 7733** for a preliminary discussion or write to him at: **John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

CORPORATE FINANCE FCA/ACA EUROPE

An opportunity has arisen in the corporate finance department of a European Investment Bank, to play a significant role in a successful team based in London, servicing clients in Scandinavia and Continental Europe.

The candidate aged 27-30, will be a qualified FCA/ACA, and have between 2-5 years experience in domestic and/or international corporate finance. The scope of the position will include such areas as listings, corporate advisory, equity and debt related financings, some M&A, rights issues and restructurings.

A highly competitive salary and bonus programme will be offered for this position in addition to usual banking benefits.

Please apply in strictest confidence to:

Marise I. Palmer
30 St. James's Street
London SW1A 1HB
01-925 1099

HEAD OF BOND TRADING

The opportunity for an experienced trader to run the trading function in a major European bank.

This is an opportunity for an experienced professional bond trader to develop the bank's London branch trading activities through the management of a young highly motivated team. The bank has a major presence in the primary capital markets and is currently poised to extend its range of investment banking products.

Your job will be to bring a high level of competence and experience to the team's existing trading activities and to personally lead the trading operation. You should preferably have gained experience in trading Deutschmark denominated paper, with good experience in other major currencies. An ability to speak German would be a distinct advantage.

The position carries a very attractive compensation package with full banking benefits. If you would like to be considered, please telephone **Christine Hough** on **01-222 7733**, or write to her at: **John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

SENIOR SPOT STERLING DEALER

An attractive opportunity to set up a new function in a major European bank.

This new position will appeal to an ambitious Foreign Exchange Dealer with at least 4 years' experience in the Spot Sterling market. It offers the chance to add an important dimension to a newly created small team already trading in three major currencies. As the deputy to the Chief Dealer you will also be required to play a part in determining overall trading strategy.

You are likely to be in your late twenties/early thirties and will be keen to join a prime European Bank committed to the establishment of a strong Spot section with realistic profit and growth objectives.

The position offers an attractive package which will include a highly competitive base salary, car, mortgage subsidy, non-contributory pension and performance-related bonus paid twice a year. If you would like to discuss this position, please telephone **Stephen Cartwright** on **01-222 7733** in complete confidence or write to him at: **John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

FOREIGN EXCHANGE SALES/CONSULTANCY

THE POSITION

Provide advice on money markets and the management of foreign currency positions to multinational corporations and commercial banks. You will be backed up by extensive computer software used for identifying market trends as well as a wide range of financial services relating to information distribution and back-office work. The work includes marketing and travel throughout Italy.

QUALIFICATIONS

An opening is available for a junior consultant. Ideally, you should have a degree in finance or economics and work experience relating to foreign exchange or international treasury operations. Fluency in both Italian and English is essential. This is an ideal position for a "self-starter" who can work independently.

Please send a detailed C.V. to:

Mr. D. R. Lewis
Fintech (U.K.) Ltd.
14 High Street
Windsor, Berkshire SL4 1LD

MANAGER — PROPERTY FINANCE

£Negotiable

Our client, a major European bank with a vigorous and thriving London branch, seeks to recruit a senior banker, aged 30-35, with up to 5 years' experience in UK commercial property finance. In the newly created position of Manager — Property Finance the person appointed will take over the existing portfolio and spearhead an expansion of the bank's involvement in this sector.

The primary task will be to formulate and implement a successful, profitable business programme based on a combination of market contacts and existing leads sourced by our client. An essential part of this process will be the establishment of a mutual interface with the head office property group and senior branch management. The successful candidate must therefore be a self-starter with excellent negotiating skills and the ability to operate largely unsupervised.

This new position will most likely appeal to an established member of a successful UK property finance team who seeks a career development move offering greater responsibility and flexibility in a more stimulating environment. An attractive salary and benefits package is available which reflects the position.

For further information, or to discuss this position in confidence please telephone Bryan Sales or Katherine Chubb on 01-247 7632, or forward a detailed CV (Fax: 01-247 1411).

PFE ASSOCIATES
EXECUTIVE RECRUITMENT CONSULTANTS

Bowl Court
231 Shoreditch High Street
London E1 6PJ
Telephone: 01-247 7632

NORWICH UNION FUND MANAGERS
LIMITED

SENIOR ANALYST

Norwich Union Fund Managers, members of IMRO and managing total funds in excess of £12 billioo, seek a senior investment analyst to join their research team. The post is in Norwich, a prime location *within easy reach of the City.*

Operating as a specialist unit within the equities department, the research team is committed to providing fundamental in-depth and often original research on UK and international equities. Using the additional insight that such analysis produces, the team aims to identify those investments in which the funds under management should have a significant exposure. The fundamentalist approach is not constrained by any sectorial or geographical limitations.

Working closely with the head of the team, you will have the opportunity to play a strategic role in the direction, activities and future development of the research group.

A sound analytical training coupled with an enquiring mind, good communication skills and a high level of self motivation are essential. It is unlikely that anyone with less than three years' relevant *experience will have the necessary qualifications* for the post.

Norwich Union is one of the fastest growing insurance and financial services groups in the UK, a market leader and an equal opportuoities employer.

The successful candidate will enjoy an attractive and fully competitive remuneration package and comprehensive relocation assistance where appropriate.

Please apply to:

Miss Phyl Scott
Personnel Superintendent
Norwich Union Insurance Group
Surrey Street, Norwich, NR1 3NG.

NORWICH UNION

MARKET OPPORTUNITIES

UK Equity Sales – Our clients, leading city institutions, require specialist general equity salesmen with a minimum of 2 years' experience.

Equity Research – Leading city house requires equity analysts with experience in the following areas: property, insurance, financials, food, retail. Sales ability an asset.

Bond Sales – Expanding financial institution currently seeking individuals with a minimum of 2 years' experience. Ideally candidates will possess an existing European/UK client base.

FX Dealer – General dealer with exposure to both deposit and FX markets. Minimum 2 years' experience. 25+.

All the above positions carry highly negotiable packages.

Tel: 01-430 1551/2653 or write to:
Dulcie Simpson Appointments, 9 Brownlow Street, London WC1V 6JD

DSA DULCIE SIMPSON APPOINTMENTS · DULCIE SIMPSON APPOINTMENTS

COPEX

FINANCING · INVESTMENTS · MANAGEMENT

The Copex Group is structured to meet the growing demands of sophisticated, international financial services. This is achieved through the co-operation of specialists in W. Germany and Ireland in the fields of

COPEX LEASING · INVESTMENTS | COPEX FINANCE · TRADING | COPEX SOFTWARE · DEVELOPMENT

Recently established in Shannon, Copex International Finance & Trading Ltd. will play a key role in the Group's expansion. In order to market our financial services to institutional and corporate clients in Europe, there are vacancies in the SHANNON, AMSTERDAM and MUNICH offices for

International Financial

MARKETING EXECUTIVES

and in SHANNON for a

SECURITIES TRADER

Reporting to the Managing Director, the ideal candidates will currently be working in an international capacity with a bank or financial institution or with a brokerage house. He/she will have direct experience of negotiating, structuring and completing substantial funding contracts or of international securities trading. This exciting and genuinely challenging opportunity involves extensive international travel to develop new business.

Candidates will be aged between 25–35 years, university graduates with at least 3 years' experience, combined with the requisite international exposure. Competitive package offered, incl. car.

Please send your written application to the Managing Director, Copex Ltd., or for further details on a confidential basis, contact our Irish company solicitor, Mr. J. Sexton, under 353-61-313222.

Copex International Finance and Trading Ltd., Unit 7, Shannon Industrial Estate, Shannon Free Zone, Co. Clare, Ireland. Tel.: 353-61-360200

AYRES & PARTNER

COMMERZBANK

LDC Sovereign Risk Management

Commerzbank – one of the world's leading banks – actively supports international efforts to deal with the debt crisis. Our LDC debt portfolio is managed by the Sovereign Risk Unit of our International Banking Department in Frankfurt, where we are currently seeking:

- **one experienced international credit officer**
- **one junior international credit officer**

Candidates should ideally have practical experience in at least one of the following:

- LDC asset trading,
- Debt/equity swaps or similar transactions,
- LDC debt rescheduling.

Fluency in English and in German is required; knowledge of Spanish would be on additional advantage. Both positions offer substantial benefits and excellent opportunities for career development within the Commerzbank Group worldwide. We will be happy to assist you in relocating to Frankfurt.

Please forward your reply, briefly outlining your educational background and professional experience to date, to

Commerzbank AG,
Zentrale Personal-Abteilung
– Betreuung Ausland –
z. Hd. Frau Cavello
Postfach 100505
D-6000 Frankfurt 1
Telephone: (69) 1362-4624
Telefax: (69) 1362-3064

Commerzbank. German knowhow in global finance.

Acquisitions Manager

Gulf States — US $80,000 neg tax free + benefits

Our client is a major investment institution with a prestigious portfolio and an excellent standing among the international financial community. Increased world-wide activity in the Real Estate Group has created a first-class opportunity for an experienced Acquisitions Manager.

Reporting to the Director, you will be responsible both for new real estate acquisitions, such as commercial, industrial and shopping centres and for disposals of existing portfolios. In addition you will provide strategic investment advice, evaluation of development potential and performance analysis.

Ideally a qualified Chartered Surveyor or equivalent, you will have a minimum of five years' relevant experience in the UK and European markets. Exposure to a wider international market and a knowledge of additional languages will be a distinct advantage.

The remuneration package reflects the seniority of this role and includes: a negotiable tax free salary, free accommodation, 45 days' annual leave, transportation allowance, free medical care, first-class travel for the entire family and generous assistance with school fees.

Please write in confidence, with full career details to John Strang, quoting ref: 1253/3.

MSL International

MSL International (UK) Ltd,
32 Aybrook Street, London W1M 3JL.
Offices in Europe, the Americas, Australasia and Asia Pacific.

JOB OPPORTUNITIES

A reputed petrochemical company in Saudi Arabia needs to fill the following positions very shortly:

FINANCE MANAGER:

Qualifications: Chartered Accountant
Age: Between 35—50 years

Experience:

- Minimum 15 years in senior managerial positions with large industrial groups. Preferably 5—7 years of which in chemical industry.
- Besides having a proven track record to administer and handle the entire financial management and general accounting functions, the candidates must have considerable know-how and expertise in the following fields:
  - International trade and business practices.
  - Management of large treasury functions.
  - Negotiations and dealings with international banks and financial institutions.
  - Computerized management information systems.
  - Risk management function.
  - EDP management.
  - Financial policies and procedures.
  - International accounting and reporting standards.

FINANCE SUPERINTENDENT:

Qualifications: CA/MBA/FCMA
Age: 35—50 years

Experience:

- Minimum 10—15 years experience in similar capacity in a large multinational industrial organization, preferably in chemical industry.
- Must be fully experienced in the handling and preparation of multi plant accounts, budgets and reports.
- Be familiar with integrated financial and cost accounting systems.
- Should be well versed with banking, insurance and commercial matters.
- Must have experience in new projects/investment accounting.
- Must be familiar with computerized accounting setup.
- Be familiar with international accounting policies and procedures.

Preference will be given to Saudi Nationals, followed by Arabic-speaking and Middle Eastern Nationals with transferable Iqama.

Attractive salary will be offered (non-taxable), depending upon qualifications and experience and the results of interview.

Other benefits include free-furnished housing or housing allowance, free medical treatment and 30 days annual vacation.

Please apply with complete bio-data and contract address and telephone number to: P.O. BOX 553, DAMMAM 31421, KINGDOM OF SAUDI ARABIA. Attn. Personnel Manager

Last date for receipt of applications is 15 April 1989.

Appointments Advertising appears every

Monday - Legal Appointments
Wednesday - General Appointments
Thursday - Accountancy Appointments

DnC

Den norske Creditbank (Luxembourg) S.A., which was established in Luxembourg in 1974 as a wholly owned subsidiary of DnC, offers to its customers throughout Continental Europe services within the following fields: Foreign Exchange, Treasury, Securities, Private Banking, Corporate-, Trade-, Shipping- and Project Finance.

In order to strengthen our credit department we are looking for a

CREDIT OFFICER (M/F) SHIP FINANCE

with experience in developing and maintaining business relations with major clients.

The successful candidate will be aged between 28-35 years with a university degree and will have had experience of credit evaluation, marketing and loan management in shipping and/or finance companies. The position will require creativity and an ability to work independently. The candidate should also have the ability to work with an established and experienced international team.

English, spoken and written, is essential. Knowledge of French and/or German would be an advantage.

The remuneration will be favourable, and we offer interesting challenges in an active international market.

For further information, please contact Karl T. Lowzow, Assistant General Manager, or Leif E. Nelson, General Manager, tel. (352) 21101

Written applications, which will be treated in strictest confidence, should be addressed with a resume and copies of references to:

Jean-Claude Bintz, Assistant General Manager
Den norske Creditbank (Luxembourg) S.A.
Boîte postale 297
L-2012 Luxembourg

U.S. Equities

PORTFOLIO SPECIALIST

Kuwait

KUWAIT INVESTMENT COMPANY (S.A.K), Kuwait seeks a Portfolio Specialist experienced at a senior level in portfolio management of U.S. Common Stocks and Convertible Securities. Experience in European Equities Markets would also be helpful. The successful candidate should be in his 30's, have at least 5 years of equities portfolio management experience and a solid educational background in finance. The package of benefits includes attractive salary, fully furnished accommodation and other benefits.

Please reply in writing, enclosing a detailed curriculum vitae, to:

Kuwait Investment Company (S.A.K.)
Administrative Manager
P.O. Box 1005 Safat Kuwait

International Organization with Headquarters in Geneva, Switzerland, and operating worldwide, seeks qualified candidates for the position of:

TREASURER

Responsible for the financial operations and management of the Organization's fund, as well as for the formulation of policies concerning disbursements, foreign exchange and investment.

Candidates should hold a university degree in economics or business administration; qualifications required include several years of experiance with progressively increasing responsibilities in dealing with international banking and financial management; ability to supervise and direct staff; thorough knowledge of English and French.

Applications with detailed curriculum vitae and recent photograph should be addressed to Cipher G 18-118584, Publicitas, CH 1211 GENEVA 3, Switzerland

---

Commercial Swiss Bank is looking for a

SHIP FINANCE EXECUTIVE

who has an experience of ten to fifteen years in ship finance and preferably in Maritime Law, capable of very conservative assessment of ship loan applications.

Compensation and benefits commensurate with the position.

If such a challenging activity appeals to you, please send your resumé in confidence to the Personnel Manager, Cipher 18-118583, Publicitas, CH-1211 GENEVA 3

APPOINTMENTS WANTED

General Manager - Germany

General manager, 41, English (fluent German), 10 years experience in sales and general management in Germany (technical services, electronic products) seeks new position in developing subsidiary of UK company in W Germany.

Write Box A1161, Financial Times, 10 Cannon Street, London EC4P 4BY

TECHNOLOGY

Bernard Frutin with the lever pack at Rocep's factory

Pressures behind an aerosol idea

Pollution issues are proving a boon to a Scottish inventor. James Buxton reports

As anxiety grows about the depletion of the ozone layer and the heating of the earth's atmosphere, a small company in Glasgow is pondering how to exploit an invention which could lead to an environment-friendly and efficient aerosol.

"I feel that the Almighty has smiled on us," says Bernard Frutin, an inventor who runs a company called Rocep Pressure Packs. "When I took out patents on my invention six years ago, these environmental questions simply weren't issues."

Frutin believes that he has found an answer to many of the drawbacks associated with aerosols. A typical aerosol contains a mixture of product – such as shaving cream or furniture polish – and propellant gas, which until very recently was likely to be a chlorofluorocarbon (CFC).

When the valve at the top of the can opens, pressure forces out a mixture of gas and product. Apart from the damage caused by CFCs to the ozone layer, which acts as a shield against ultraviolet radiation, the conventional aerosol is inefficient since a large portion of its contents is propellant – at least 40 per cent in most cases.

Frutin's invention involves inserting two plastic pistons inside the can below the product. Beneath them goes a very small quantity of propellant. When the valve at the top of the can is released, the propellant pushes up the pistons thus forcing out the product. (Two pistons, with a viscous liquid seal between them, are required to prevent the propellant leaking around the edge of a single piston).

The system keeps the propellant and the product separate. Furthermore, very little propellant is needed – just 3 millilitres for most 200 millilitre cans.

This type of aerosol would be particularly apt for products such as creams and toothpaste, which are not suitable for mixing with propellant gas. But it could also be used with less viscous liquids such as hair spray, the spray effect being achieved by means of a special kind of nozzle. The extra cost of the piston arrangement should be offset by the fact that far less propellant gas is needed than in the traditional aerosol.

As for the gas itself, aerosol manufacturers are moving away from CFCs because of their effects on the ozone layer. Beecham, a leading aerosol producer, said last week that it had switched from CFCs to butane gas. But this is highly flammable, presenting safety problems in its manufacture, and it also creates carbon dioxide, which contributes to global warming through the greenhouse effect.

Frutin uses an HCFC gas in his products. The H stands for hydrogen which destabilises the CFC combination so that it lasts in the atmosphere for seven years instead of about 75. HCFCs are much less destructive in the ozone layer than CFCs. The fact that HCFCs cost about five times as much as CFCs is compensated for by the small quantities used. Frutin hopes to develop a more benign gas.

Rocep has yet to market its aerosols. But its pressure pack system is used in its patented lever pack, Frutin's original invention. The lever pack dispenses viscous liquids, such as silicone sealant. Plumbers and do-it-yourself enthusiasts, for example, use it to fill the gap between a bath and the wall. The conventional dispenser cartridge, usually a tube or syringe pack, can produce a flow which is difficult to stop promptly and which may leave the nozzle blocked.

In Rocep's lever pack, the user sets the desired flow rate by turning the nozzle, then presses the lever. A propellant pushes up the pistons and produces an even flow of the sealant.

For the past two years, Rocep has been manufacturing and filling lever packs for Unibond for sale in the UK and a few weeks ago signed a contract with Unibond's West German parent company Henkel, giving it exclusive rights to distribute lever packs of silicon sealant in continental Europe. Rocep also supplies lever packs to the home products division of General Electric of the US which has exclusive rights in the North American market. GE has agreed to take products worth a minimum of £27m over a 10-year period.

"It was essential to grant a major company exclusivity since this was a product which the customer had to be educated to use," says Frutin. GE carried out an advertising campaign and Henkel is doing the same. But as understanding of lever packs spreads, education may become less important and Rocep has retained the rights to use it in such markets as aeronautical products, printing ink and elsewhere.

The GE and Henkel contracts, with their advance payments, give solid underpinning to a company that is just two years old, but which has products patented in more than 40 countries.

It took several years for Frutin to find the finance to set up a manufacturing operation. A chance encounter in Glasgow with a family friend, Mr (now Sir) Matthew Goodwin, chairman of the construction equipment company Hewden-Stuart, led to that company taking a stake (now 38 per cent) and performing a godfather-like role to the nascent business. An Edinburgh venture capital company, Darnaway Ventures, later took 19.5 per cent and Frutin has the same proportion.

Last year Rocep bought a semi-derelict factory complex in Renfrew stretching over seven acres, with 150,000 sq ft of manufacturing space. The company now takes up 25,000 sq ft and, with an eye to expansion, has a computer system capable of handling 72 terminals, although it currently only employs 65 people.

Last year it produced almost 2m cans and expects to produce between 3m and 4m this year. "To tell you the truth we don't know how many they will be buying, but we have the potential to produce about 30m a year," says Frutin. The company has invested £200,000 in an automated line, for long production runs, which is joining the existing manual line. Two further manual lines are planned. Total investment in the plant has been £1.5m, rather greater than last year's turnover. So far Rocep has not made a trading profit.

There is considerable potential for lever packs, for which the UK market is estimated at 40m cans a year. But the aerosol market – at 800m cans a year in the UK alone – is even more tempting. At the moment, Frutin envisages producing aerosol cans under contract for smaller customers and licensing the process to companies with big production runs.

Swiss company gains twice from hybrid buy

Valtronic SA, of Switzerland, has gained access to a branch of micro-electronics technology which neatly complements its own through the purchase of part of Thomson-CSF's hybrid activities.

It has used the French acquisition to set up a new company, Valtronic France. Valtronic's technological gain takes the form of a full order book in hybrid technology, which is undergoing a renaissance.

The other main advantage is that it gives the Swiss concern a production facility in the European Community ahead of the 1992 single market.

Hybrid, or thick film, technology – as opposed to thin film (integrated circuits) – consists of a ceramic base, or substrate, on to which both chips and other electrical components can be mounted directly. Interconnections and resistive elements are deposited on the base in heat curable paint, rather like painted porcelain.

Although Valtronic is a small company, with about 350 personnel, it is in the vanguard of two types of integrated circuit (chip) packaging technology: surface-mounted devices (SMDs) and chip-on-board (COB). This technology is generally employed in sub-contracting work for applications in telecommunications, watchmaking and medical electronics. In six years the company has increased its revenues to SFr 34m (£13m) and its net profits to SFr 500,000.

SMD technology allows components such as chips to be soldered directly on to a printed circuit track on a board. The more usual practice is for the chip to have pins which must pass through holes in the board before being soldered. SMDs enable both sides of the board to be used and this assists miniaturisation of the product.

COB technology goes one step further and glues the naked chip directly to the board. Then fine aluminium wires (about 35 microns across) join the chips to the printed circuit tracks. Once tested, the chips are protected with epoxy. Because each chip does not need to be coated before assembly, there is a further size and weight reduction.

However, neither SMD nor COB technology can withstand the same high temperatures as hybrid circuits. This gives hybrid technology an important edge in such applications as power electronics and high-frequency and automotive products.

Valtronic, based in the Valle de Joux in the Jura Mountains, rose phoenix-like from the smouldering ashes of Switzerland's watch industry in 1982. The legacy of expertise in miniaturisation was put to good use as it turned to sub-contracting for the electronics industry.

The company's development has included setting up a manufacturing subsidiary in Cleveland, Ohio. It has a UK office in Farnham.

Today, Valtronic has shifted course slightly from being a straight sub-contractor and is now designing and marketing its own products. The latest of these is the Valmodem D114, one of the world's smallest modems. It fits inside an IBM or compatible personal computer and gives the user access to videotex services as well as computer-to-computer communications. The device has been type approved by the Swiss and French PTTs, the state-run telecommunications authorities.

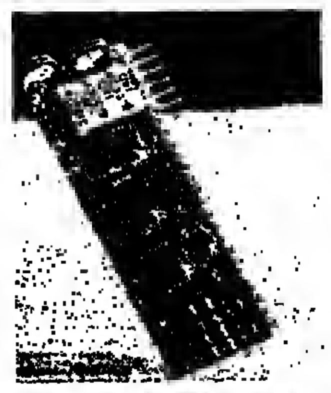
Valtronic's acquisition of Thomson's analogue hybrid business also gives the company an offshore production facility near Casablanca, in Morocco.

Thus armed Valtronic is ready for a revival of the hybrid sector, particularly in the automotive and telecommunications industries. Georges Rochat, president of Valtronic, says that the latest cars are tending towards almost as high a value in electronics as in the motor. It is in the harsh environment under the bonnet that hybrid technology scores. Elsewhere in the vehicle, conditions remain suitable for SMDs and COB.

The popularity in Europe of the portable radio telephone and its need for relatively high frequency power – for which hybrids are suitable – has also helped to revive interest in the technology.

Hybrid techniques lost ground whilst greater emphasis was placed on integrated circuits. As a result, there was no concerted effort to maintain the technology's image and pool resources. Now Rochat believes that Europe, currently leading the world, must protect the renascent sector from incursions by Asian products, particularly those brought in by Japanese auto manufacturers.

To this end, Paul Forostowsky, the 30-year-old managing director of Valtronic France, has recently formed the European Hybrid Manufacturers' Club, grouping together some 30 European companies, including Plessey of the UK. At the club's first meeting, on March 6 in Venice, one of the aims will be to agree a common strategy to keep Asian hybrids out of European manufactured vehicles.



Chip-on-board technology, where a silicon chip is glued to a printed circuit and sealed in epoxy

Paul Godden

Aerial survey provides new view of fallout

A NEW technique for aerial survey has helped to trace the pattern of radioactive fallout in Cumbria, stemming from the Chernobyl nuclear disaster in April 1986.

A central spine of radioactivity, running north to south, has been identified by the survey, which also indicates patches of low radioactivity elsewhere in the area in which the movement of sheep is restricted. The information is contained in a report, Aerial Radiometric Survey in West Cumbria 1988, which was carried out by the Scottish Universities Research and Reactor Centre (SURRC) for the Ministry of Agriculture, Fisheries and Food.

The ministry will use the survey to identify sites of low contamination suitable for early release from restrictions. It also wanted to examine whether any local, high concentrations might be making a disproportionate contribution to levels in sheep.

The aerial monitoring technique measures radiocaesium levels, as becquerels per square metre, in vegetation and in underlying soil or rock down to a depth of 30 cm.

Outside the restricted area, elevated levels of caesium were recorded in the Ravenglass estuary. The radionuclides present were characteristic of routine low-level marine discharge from the Sellafield nuclear plant, rather than from the Chernobyl accident. Data on this have been published for many years.

The survey was carried out by helicopter between August 22 and September 3, 1988. More than 1,800 readings were taken from an area of 45,000 hectares.

Copies of the report are available free of charge from the Ministry of Agriculture, Fisheries and Food, Publications Unit, Lion House, Willowburn Trading Estate, Alnwick, Northumberland, NE66 2PF.

COMMODITIES AND AGRICULTURE

S African vanadium output jump planned

By Jim Jones in Johannesburg

SOUTH AFRICA, which supplied about three quarters of the non-communist world's vanadium last year, is projected to produce about 40 per cent more of the steel alloying metal by 1990, raising the spectre of over-supply.

Recently Mr Les Boyd, the chairman of Highveld Steel & Vanadium, estimated that the non-communist world produced about 90m lb of vanadium last year of which South Africa contributed about 65m lb.

According to official figures the country's production slipped to 62.7m lb in 1987 from 1986's 65.4m lb.

Most of the planned increase is expected from a new facility based on reserves of titaniferous vanadiferous magnetite in the nominally independent homeland of Bophuthatswana.

The project, designed to produce 9,000 tonnes (19.8m lb) of vanadium pentoxide annually, is a co-operative venture between Union Steel Corporation (Usco) and Rhombus Vanadium Exploration (RhoEx) to exploit what is described as a "high-grade" deposit stretching over a distance of 17 km.

Vanadium price

European free market ($ per lb)

Ore reserves are estimated to be sufficient to support production for about 100 years but their vanadium content is only half that of the Kennedy's Vale deposit being mined by Vansa Vanadium since last October.

RhoEx's 70 per cent subsidiary Rhombus Vanadium (Rhovan) is to raise R20m (£4.6m) through an issue of share to finance the R22m mine development while Usco will spend R20m converting under-utilised steelmaking plant at its Vereeniging works to produce vanadium pentoxide flake. Brandeis, the German metals company, has been appointed sole marketing agent for the pentoxide.

Early last year Mr Boyd expressed concern at the danger of over-supply developing when Vansa brought its 3,000 tonnes (6.6m lb) a year eastern Transvaal unit into production.

The Vansa mine is scheduled to reach full production by March this year and its production build-up has not affected the market appreciably.

Mr Boyd admits the RhoEx project presents something of a problem but questions whether the venture will reach full production next year. He adds that full production might not be reached until the mid-1990s as RhoEx irons out wrinkles in its plant.

Highveld itself recently announced plans to increase its present annual production of 50m lb by more than 3m lb in response to strong demand for vanadium alloys by steel tool producers.

The cumulative effect of the RhoEx, Vansa and Highveld developments should eventually leave South Africa with about 40 per cent more capacity than it had in the first half of last year.

Mr Johan Kaltwasser, Usco's managing director, does not believe his company will enter the vanadium market too late to benefit from the present strong demand.

He believes prices will have to drop when his company's material becomes available but feels this will dissuade prospective Brazilian and Australian producers from entering the export market.

Lower prices, Mr Kaltwasser says, will also dissuade specialty steelmakers from switching to niobium or molybdenum substitutes.

Johannesburg metals analysts expect pentoxide prices to drop sharply if the RhoEx/Usco venture comes into production without major hitches and say prices could reach as little as the $2 a lb of three years ago. They point to Highveld's cautious pentoxide price increase to $4.50 a lb for the first quarter of this year from $4 a lb in 1988's fourth quarter and against free market prices of over $10 a lb.

Highveld believes its present price will not discourage use of vanadium steels and that the vanadium market will remain buoyant this year. RhoEx says the possibilities of extracting and marketing by-product iron and titanium are being investigated.

The company has titanium exploration interests on the Transkei coast, has explored gold deposits in the Orange Free State and operates the small Sub-Nigel gold mine near Johannesburg.

Forecasters cut sugar production estimates

By David Blackwell

TWO MORE sugar market forecasters yesterday revised downwards their estimates of world sugar production in 1988-89.

C. Czarnikow, the London trade house, predicted a total of 107.02m tonnes, slightly down from its November forecast of 107.03m tonnes. The International Sugar Organisation (ISO) cut its forecast to 108.1m tonnes from 108.9m tonnes.

Last week Gill & Duffus, another London trade house reduced its estimate to 107.42m tonnes, while F.O. Licht, the West German analyst, put total production at 107.2m tonnes.

Czarnikow has also increased its estimate for 1988-89 consumption from November's 109.12m tonnes to 109.4m tonnes. The ISO, however, revised consumption down to 107.55m tonnes from 108.25m tonnes, although its consumption figures are for calendar 1989.

Yesterday the London daily price for raw sugar rose to $293.20 a tonne, up $12.70.

The emergence of volume buyers of sugar in the past two weeks has brought renewed confidence to the market, according to Czarnikow's latest sugar report. In addition to last week's purchase of between 400,000 and 500,000 tonnes by the Soviet Union, Mexico bought 450,000 tonnes of whites.

The Mexican purchase came as more of a surprise to the market, says Czarnikow.

"Despite ample supplies for nearby delivery, some of these purchases are for shipment later this year and they have prompted many to reassess the relatively tight supply prospects for the year as a whole, with the demand from Mexico highlighting the rapid change which can take place from unexpected quarters."

Pakistan suspends raw cotton sales

By Christina Lamb in Islamabad

THE PAKISTANI Government appears to have suspended the sale of raw cotton, the country's major export, after criticism from textile mill owners and private sector exporters that domestic requirements are being ignored while no minimum export price has been announced by the State Bank.

According to Mr Zahid Bashir, chairman of the Karachi Cotton Association, cotton exports have been stopped, pending a review of the cotton crop, domestic consumption and export agreements. He said: "export commitments have already crossed 3m bales and continuation of export sales would have adversely affected local industry."

Mr Aftab Ahmed, Chairman of the All Pakistan Textile Mills Association appealed to the Government on Sunday to intervene urgently and ban further raw cotton exports. According to Mr Ahmed the crop was not as large as expected and latest estimates put it at 8.2m, of which 5m are required by domestic industry. He complained: "Our earlier appeals to take stock of the cotton situation and determine export surplus after firm indications of the size of output seem to have fallen on deaf ears."

Mr Ahmed added that the domestic textile industry which has invested heavily in new plants with almost two spinning units going into production every month, is being driven towards a critical situation and if the present policy of negotiating further export commitments continues "we would be starved of supplies of raw cotton."

However, cotton ginners have opposed the suspension of exports which they claim is designed to bring down prices at the time when the major portion of the crop is being delivered to ginning factories.

Zaire attempts to support cobalt price

By Kenneth Gooding, Mining Correspondent

IN AN attempt to boost the free market price of cobalt, Gecamines, the state-owned Zairean group, has bought 79 tonnes of the strategic metal stockpiled in France.

The deal coincides with the publication of a report by the London-based Roskill Information Services group which suggests supply of cobalt is likely to outstrip demand by a large margin and there is little reason to expect any wild price fluctuations.

There have been market rumours that Gecamines bought the metal at $7.50 a lb. The company told Reuter that it had bought 79 tonnes for March delivery but would not reveal the price.

Gecamines is the world's major cobalt producer, accounting for about 45 per cent of supply, and is currently charging $8.40 a lb. An official said: "We don't want to heat up the market but we believe prices are too weak."

Roskill points out that the US is so concerned to keep a secure supply of cobalt for the super-alloys which go into its gas turbine military aircraft engines that it has built a stockpile totalling about 24,100 tonnes – nearly equivalent to annual world output.

The US concern stems from the fact that between them Zaire and Zambia account for over two-thirds of cobalt output and the metal also suffers from all the disadvantages of being a by-product (of copper and nickel).

Buyers soak up titanium sponge supplies

By Kenneth Gooding, Mining Correspondent

TITANIUM, MAINLY used by the aerospace industry, is the latest strategic metal to receive a big boost in price because of buying from China.

The free market price of titanium sponge, which was $6 a kilogram a year ago but started this year at about $8, broke through the $10 barrier last week and this week moved on to $14.75 a kilogram.

This is the highest price for seven years.

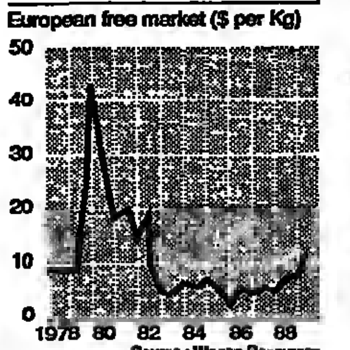
Titanium metal has been produced commercially for fewer than 40 years. However, in that time its characteristics of exceptional strength, lightness and corrosion-resistance have made it a metal of extreme importance to the aerospace industry, which absorbs 70 to 80 per cent of 84,000 tonnes produced annually.

A boom in the aerospace sector in 1979 pushed free market titanium sponge price above $40 a kilogram but a subsequent slump sent it tumbling to about $3 in 1986-87.

Mr Nick French of Wogen Resources, the metal traders, suggests that a number of different factors have appeared at the same time to produce the present shortage of supply and consequent price jump.

Titanium Sponge

European free market ($ per Kg)



Source: Wogen Resources

Of course, the aerospace industry played its part with a record year in 1988.

Steel alloy for the chemical, processing, power generation, marine and ordnance industries is also in good demand. This has led to some siphoning off of titanium sponge by the steel alloy producers who normally use ferro-titanium, which is cheaper.

The US titanium sponge producers, with capacity to supply about 25,000 tonnes a year, recently have not been able to keep pace with domestic demand. Moreover, heavy anti-dumping measures imposed by the US on Japan during the recession and a high tariff on titanium from the Soviet Union make metal imported from these sources expensive in the US.

"The US aerospace industry is rather like a big vacuum cleaner that is sucking away but there is nothing to take up," says Mr French.

As non-Communist world demand increased, supplies of scrap (provided mainly by the aerospace industry) dried up. This caused some scrap processors to substitute titanium sponge, thereby putting even more pressure on that material.

Japan, which produces about as much titanium metal as the US, has run out of spare capacity. Mr French says some Japanese steel companies have even taken to using ferro-titanium in their furnaces rather than sponge even though this presents tremendous technical difficulties.

On top of all this, supplies of titanium sponge from China and the Soviet Union to the non-Communist countries have dried up. China used to be a net exporter of titanium sponge but recently has become a net importer. Traders blame Chinese buying last week for sending the price above $10 a kilogram.

The temporary absence of material from the Soviet Union, which produces about half the world's titanium metal and traditionally is a major supplier of sponge to the free market, is puzzling some traders. But that country has much to gain from a soaring free market price.

The three Japanese titanium sponge producers, Osaka Titanium, Toho Titanium and Showa Titanium, have indicated that they expect to produce at full capacity this year and a shortage of rutile, the raw material for titanium, rules out any immediate increase in capacity.

However, two of the US producers, Oremet (Oregon Metallurgical Corporation) a company now owned by an employee group, and RMI, owned 50-50 by USX Corporation and National Distillers and Chemical Corporation, intend to boost capacity a little this year. Ironically, in 1987 both companies produced at only about 75 per cent of capacity and their parents put them up for sale.

China seeks output boost

By Colina MacDougall

A THREATENED shortfall of cotton in China this year has spurred a rise in prices to encourage farmers to grow more, and turned Peking towards purchasing overseas.

Cotton futures in New York rallied on Monday, partly on reports that China had bought a substantial amount from the US, traders said. "The sale could show up in this week's export report," one analyst commented.

China's cotton output has fallen steadily since the peak of 6.26m tonnes in 1984 to 4.1m tonnes last year as input costs rose and prices fell. The country needs approximately 5m tonnes of cotton a year to feeds its industry.

Last year textile mills were starved of raw materials and in consequence exports of clothing, primarily cotton goods, fell and could suffer more this year.

This could be serious for the country's trade policy. Even in 1988 these exports made up over 8 per cent of China's total, and there were in addition exports of raw cotton and cotton yarn.

Chen Junsheng, member of China's ruling State Council, said last week that prices paid to farmers for cotton would rise, bringing them more into line with grain prices. In recent years farmers have switched out of cotton into other crops, often grain, which has been more profitable.

However, this is likely to be too little, too late. Forecasts for the 1989 cotton crop are already below last year's, as major cotton areas report shrinkage of sown areas by 15 to 20 per cent.

WEEKLY METALS PRICES

Supplied by Metal Bulletin (last week in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,080-2,140 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.50-6.65 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.70-7.85 (7.90-8.10), sticks 7.70-7.85 (7.90-8.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.70 (7.35-7.65).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 270-285 (280-290).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.85-3.95 (3.90-4.00).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 7.90-8.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-64 (same).

VANADIUM: European free market, min. 98 per cent, $ per lb VO, cif, 10.60-10.90 (10.50-11.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.60 (same).

Beef reforms 'unfair' on UK

By Bridget Bloom, Agriculture Correspondent

REFORMS TO the European Community's beef regime which are due to come into force on April 3 are unfair on UK producers and could lead to de-stabilisation in the beef market, a House of Lords Committee believes.

The Select Committee on the European Communities notes that the beef sector is characterised by long lead times between production and marketing decisions and criticises the Community decision to change the support system "overnight".

Under the reforms, Community support for beef and veal will be unified. The variable premium now being enjoyed by British farmers is to be abolished. Subsidies paid to producers will be limited to two flat rate premiums, restricted to the first 90 head of male cattle, and the suckler cow premium, payable to specialist beef producers.

The Committee accepts that the variable premium should not be renewed but argues that the headage limit, and the exclusion of heifers, will unfairly discriminate against the UK, which has larger herds and produces more heifer beef that other EC countries.

The Committee thinks the premium should be paid on steers and heifers. It also notes that any attempt to move the beef market immediately, or even within a year, from its present surplus position into greater balance between supply and demand runs the risk of destabilising the market and provoking demands for help with farmers incomes in the future.

Review of the Beef and Veal Regime. House of Lords Paper 22. HMSO, £10.20

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices eased on the LME yesterday. Traders said recent lack of momentum, which has seen three months high grade metal trade narrowly either side of $1,900 a tonne for several days, was prompting liquidation orders. Copper and aluminium prices were also down. Cocoa prices were hit by heavy trade selling as the market tried to assess the implications of a reported sale by the Ivory Coast to a French trade house. Coffee prices were slightly easier – analysts say the market is now in a technical holding pattern, the May robusta contract meeting resistance at £1,120 a tonne. Attention is beginning to focus on the possibility of another cut in international Coffee Organisation export quotas next week if the 15-day average indicator remains below the threshhold of 120 cents a lb, traders said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.30-4.35q	-0.20
Brent Blend	$17.05-7.15z	-0.25
W.T.I. (1 pm est)	$18.10-8.15q	-0.15
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$167-169	+1
Gas Oil	$141-143	-1
Heavy Fuel Oil	$75-77	-2
Naphtha	$160-162	-1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$387.00	-3.25
Silver (per troy oz)♣	586c	-6
Platinum (per troy oz)	$537.65	-1.75
Palladium (per troy oz)	$143.25	-1.65
Aluminium (free market)	$2205	-30
Copper (US Producer)	144⅝-50c	-1½
Lead (US Producer)	38.5c	
Nickel (free market)	840c	+10
Tin (European free market)	£4815	-60
Tin (Kuala Lumpur market)	22.94r	+0.00
Tin (New York)	387.5c	-2.5
Zinc (US Prime Western)	91¼c	+2½
Cattle (live weight)†	109.05p	+0.76*
Sheep (dead weight)†	158.78p	+12.9*
Pigs (live weight)†	79.18p	+0.43*
London daily sugar (raw)	$293.2u	+12.7
London daily sugar (white)	$314.0u	+5.5
Tate and Lyle export price	£279.0	+11.5
Barley (English feed)	£115.5z	
Maize (US No. 3 yellow)	£132z	
Wheat (US Dark Northern)	£125.00v	+1.63
Rubber (spot)♥	57.0p	
Rubber (Apr) ♥	59.75p	+0.25
Rubber (May) ♥	67.25p	+0.25
Rubber (KL RSS No 1 Mar)	301.5m	+1.0
Coconut oil (Philippines)§	$535u	
Palm Oil (Malaysian)§	$405x	
Copra (Philippines)§	$350z	
Soyabeans (US)	$185.5x	+1.0
Cotton "A" index	63.55c	+0.45
Wooltops (64s Super)	647p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	834	847	845 831
May	850	866	863 848
Jul	860	870	867 857
Sep	861	872	866 860
Dec	884	890	888 883
Mar	870	880	880 870
May	875	880	881 374

Turnover:7604 (7821) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 27: 1117.04 (1134.80):10 day average for Feb 28: 1137.14 (1137.03) .

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1139	1140	1150 1137
May	1128	1130	1138 1125
Jly	1102	1110	1112 1102
Sep	1085	1095	1100 1091
Nov	1080	1079	1890 1084
Jan	1074	1071	1075
Mar	1075	1075	

Turnover:4266 (4228) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 27: Comp. daily 115.49 (116.11); . 15 day average 117.75 (118.06).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	258.80	253.00	261.00 254.00
May	260.40	257.85	263.00 257.65
Aug	257.60	257.00	262.00 257.80
Oct	256.20	253.80	258.00 254.00
Dec	252.00	252.40	252.00
White	**Close**	**Previous**	**High/Low**
May	308.00	306.00	310.00 305.00
Aug	315.00	312.00	316.50 313.00
Oct	304.65	301.65	305.00 302.00
Dec	300.00	297.00	
Mar	288.00	287.65	
May	286.00	285.00	287.00

Turnover: Raw 4523 (9506)lots of 50 tonnes. White 1088 (815).
Paris- White (FFr per tonne): May 1921, Aug 1960, Oct 1071, Dec 1810, Mar 1611, May 1780.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
2050	165	143	37	89
2150	104	96	75	129
2250	01	61	129	191
Copper (Grade A)	**Calls**		**Puts**	
2700	322	410	47	72
2900	192	283	113	139
3100	103	186	221	235

Cotton
Liverpool-Spot and shipment sales for the week ending February 24 amounted to 462 tonnes against 1142 tonnes in the previous week. Trading was fair with operations occurring in Russian, West African and Chinese growths.

JUTE
C and I Dundee BTC $480 BWC $490 BTD $430 BWD $440; c and I Antwerp BTC $455 BWC $445 BWD $400 BTD$410

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 25,250 tonne
Cash	2180-90	2200-10	2205	2205-10		
3 months	2161-5	2178-80	2190/2150	2182-3	2160/5	26,070 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,900 tonne
Cash	1795-6	1850-5	1829/1795	1824-9		
3 months	1699-700	1689-90	1710/1688	1708-9	1693-5	63,755 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	581-4	587-90		581-4		
3 months	594-7	600-3		595-9		361 lots
Lead (£ per tonne)						Ring turnover 10,650 tonne
Cash	342-3	344-6		343-4		
3 months	351-1.5	351.5-2.0	352/350	350-0.5	351-2	9,786 lots
Nickel ($ per tonne)						Ring turnover 1,914 tonne
Cash	18750-850	18650-700	18700	18700-50		
3 months	17950-8000	17900-50	18100/17900	17875-900	17900-8000	6,430 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,725 tonne
Cash	2020-30	2045-50	2050/2048	2048-50		
3 months	1920-30	1935-8	1945/1930	1940-3	1930-40	5,967 lots
Zinc ($ per tonne)						Ring turnover 12,025 tonne
Cash	2000-10	2030-40	2045/2043	2042-5		
3 months	1880-3	1904-6	1910/1880	1904-5	1880-5	11,969 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	69.6	37.8	69.5 68.0
May	84.2	82.5	84.8 82.5
Nov	88.0	88.0	
Feb	100.0	100.0	
Apr	127.8	128.2	127.8

Turnover 325 (391) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	63.00	61.65	62.00 61.00
Jun	53.00	53.00	54.00 53.00
Aug	49.00	47.65	48.00

Turnover 95 (347) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1527	1530	1530 1537
Mar	1622	1625	1630 1622
Apr	1675	1669	1676 1672
Jul	1470	1468	1478 1470
Oct	1582	1086	1590 1582
Jan	1598	1600	1605 1598
Apr	1623	1640	1632 1623
BFI	1553	1543	

Turnover 368 (147)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	114.00	113.50	114.00 113.60
May	117.45	116.95	117.63 117.00
Jun	119.05	118.65	119.05 116.50
Sep	104.45	104.25	104.45 104.40
Nov	106.50	106.35	106.50 106.40
Jan	109.50	109.45	109.55 109.50
Mar	112.50	112.40	112.50 112.40
Barley	**Close**	**Previous**	**High/Low**
Mar	110.75	110.85	110.75 110.50
May	112.60	112.55	112.60 112.45
Sep	101.20	100.85	101.20 100.90
Nov	104.30	104.00	104.30

Turnover:110.50 Wheat 328 (270) . Barley 59 (59)
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	386¼-387¼	222-222½
Opening	387-387½	222¼-222¾
Morning fix	386.75	222.079
Afternoon fix	387.05	221.777
Day's high	387¼-387¾	
Day's low	386¼-386¾	

Coins	$ price	£ equivalent
Mapleleaf	398-403	228-231
Britannia	398-403	228-231
US Eagle	398-403	228-231
Angel	398-403	228-231
Krugerrand	386-389	221½-223½
New Sov.	91½-92½	52½-53¼
Old Sov.	91½-92½	52½-53¼
Noble Plat	541.80-550.70	311.80-317.05

Silver fix	p/fine oz	US cts equiv
Spot	336.60	585.80
3 months	347.90	601.00
6 months	360.05	617.00
12 months	381.30	649.35

CRUDE OIL $/barrel

	Close	Previous	High/Low
Apr	16.40	16.60	16.50 16.32
May	15.96	16.17	16.10 15.94
IPE Index	16.53	16.22	16.53 16.23

Turnover: 1891 (4004)

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	142.50	144.25	143.75 142.00
Apr	140.70	142.75	142.25 140.50
May	139.50	141.50	140.50 138.75
Jun	138.00	140.75	139.75 137.75
Jul	139.00	142.00	140.00 139.00
Aug	141.50	145.00	141.50 141.66
Sep	142.00	146.00	
Oct	143.25	145.50	143.00
Nov	140.00	147.75	145.00 142.00

Turnover 6004 (5753) lots of 100 tonnes

US MARKETS

IN THE METALS, gold, silver and platinum futures are had very dull sessions, reports Drexel Burnham Lambert. Copper prices recovered late in the day as trade buying elected some stop viar close. The may contract was up 140 points. In the softs, sugar prices gained 20 basis may as steady trade activity firmed up the market. Coffee futures also rose on good trade buying. Cocoa prices eased on commission house and speculative liquidation. Livestock markets were mixed as carryover technical support and commission house short covering countered weak fundamentals in the belly and hogs. In the cattle markets, firm cash prices were offset by unwinding of bull spreads. All of the grain markets were higher with strong technical buying featured in the soy complex. Corn and wheat futures saw few deliveries in march, firming those markets. The energy complex continued to remain firm but lack of heavy volume is still being noted. Tight trading ranges are especially seen in the crude oil.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	387.5	387.3	387.5	387.5
Apr	390.4	389.8	391.0	389.7
May	392.9	0	0	0
Jun	395.5	394.9	396.0	394.7
Aug	401.2	400.8	401.2	400.8
Oct	407.2	406.6	407.1	407.1
Dec	413.1	412.6	413.5	412.3
Feb	418.0	418.5	0	0
Apr	425.0	424.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	541.9	539.3	0	0
Apr	540.9	538.3	542.4	538.5
Jul	539.9	537.5	541.5	537.5
Oct	538.9	537.5	541.0	539.0
Jan	538.9	538.6	543.0	539.0
Apr	539.0	539.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	582.4	584.5	587.5	582.0
Apr	587.9	590.0	0	0
May	593.5	595.6	599.0	593.0
Jul	605.0	607.4	610.5	604.1
Sep	616.2	618.9	620.5	617.8
Dec	632.4	635.6	639.0	633.5
Jan	637.5	640.9	0	0
Mar	648.5	652.2	652.0	651.0
May	659.7	663.6	0	0
Jul	671.0	674.9	677.0	677.9

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 27	Feb 24	mnth ago	yr ago
1952.7	1941.0	1957.3	1765.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.94	137.14	140.70	126.74
Futures	138.88	136.89	142.25	130.36

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	136.70	136.40	137.20	135.50
Apr	134.20	133.05	132.00	132.00
May	131.20	129.80	131.50	128.00
Jul	124.50	122.60	126.00	121.20
Sep	120.30	118.70	119.50	117.90
Dec	116.10	114.60	115.30	113.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.17	18.14	18.24	18.03
May	17.60	17.66	17.74	17.54
Jun	17.36	17.33	17.42	17.22
Jul	17.12	17.07	17.16	16.98
Aug	16.89	16.84	16.92	16.79
Sep	16.66	16.66	16.75	16.60
Dec	16.45	16.37	16.54	16.45
Jan	16.38	16.30	16.47	16.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5215	5285	5320	5170
Apr	5015	5038	5075	4960
May	4830	4849	4890	4775
Jun	4710	4714	4760	4660
Jul	4630	4635	4675	4580
Aug	4670	4663	4700	4630
Sep	4700	4718	4760	4680
Nov	4825	4838	4825	4820

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1604	1607	1612	1580
May	1465	1492	1498	1478
Jul	1447	1451	1468	1435
Sep	1423	1420	1423	1410
Dec	1400	1403	1410	1395
Mar	1393	1395	1400	1391

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	129.46	127.73	129.50	127.75
May	127.32	125.70	127.50	125.40
Jul	122.92	122.00	123.60	122.10
Sep	120.12	119.57	121.00	119.75
Dec	117.92	117.66	118.75	117.66
Mar	117.25	118.25	118.60	118.00
May	118.56	118.55	0	0
Jul	118.00	118.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.75	10.90	11.28	10.50
May	11.63	11.44	11.82	11.47
Jul	11.61	11.45	11.70	11.45
Oct	11.50	11.34	11.56	11.34
Jan	11.06	10.92	0	0
Mar	11.12	11.63	11.19	11.01
May	11.00	11.02	10.90	10.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.50	59.19	59.75	58.90
May	60.54	60.40	60.75	59.90
Jul	61.31	60.87	61.44	60.60
Oct	60.90	60.70	61.20	60.70
Dec	60.90	60.57	61.25	60.25
Mar	61.00	60.80	61.05	61.80
May	61.63	61.28	61.00	61.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	140.10	138.70	141.00	139.00
May	140.20	138.25	140.30	138.50
Jul	139.20	137.70	140.00	138.60
Sep	139.25	137.00	139.70	138.50
Nov	137.30	136.45	136.50	136.50
Jan	134.75	132.75	135.00	133.50
Mar	133.75	131.25	133.00	133.00
May	133.75	131.25	0	0
Jul	133.75	131.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	762/4	757/2	764/0	758/4
May	773/4	767/2	775/0	768/4
Jul	781/0	773/4	782/0	774/4
Aug	776/4	770/0	777/0	770/4
Sep	750/0	741/0	753/0	743/4
Nov	738/0	727/4	739/4	728/0
Jan	745/0	734/4	745/0	738/0
Mar	752/0	741/4	752/0	742/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	23.20	22.63	23.25	22.50
May	23.67	23.28	23.80	23.16
Jul	24.20	23.84	24.40	23.78
Aug	24.40	24.07	24.60	24.05
Sep	24.70	24.30	24.70	24.25
Oct	24.82	24.45	24.90	24.35
Dec	24.90	24.60	25.00	24.60
Jan	24.87	24.67	24.95	24.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	239.4	239.6	242.0	239.3
May	237.7	237.1	239.9	237.3
Jul	234.7	233.7	237.5	234.0
Aug	231.8	230.2	234.0	231.8
Sep	227.5	225.5	229.0	226.5
Oct	221.5	219.5	223.0	220.5
Dec	221.2	217.4	221.5	218.0
Jan	220.5	216.5	220.0	221.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	272/4	270/0	273/0	270/6
May	278/4	276/6	279/0	277/0
Jul	281/6	280/6	282/4	281/0
Sep	273/6	272/4	275/2	273/4
Dec	271/2	270/2	272/4	270/2
Mar	279/0	277/0	279/6	277/4
May	280/6	279/6	281/0	280/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	436/2	432/4	437/4	434/0
May	434/6	432/2	436/0	434/6
Jul	406/2	404/2	407/2	405/4
Sep	412/6	411/0	415/0	412/4
Dec	425/4	423/6	425/4	424/0
Mar	428/0	428/0	428/0	427/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.05	78.10	78.20	77.75
Jun	75.05	75.00	75.30	74.65
Aug	72.80	72.55	72.95	72.35
Sep	72.20	72.10	72.25	72.20
Oct	71.85	71.70	72.10	71.55
Dec	73.10	72.85	73.20	72.80
Feb	73.10	72.90	73.15	72.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	43.72	43.47	43.75	43.32
Jun	48.20	47.50	48.30	47.00
Jul	48.07	48.15	48.15	47.75
Aug	47.02	47.07	47.10	46.85
Oct	43.65	43.67	43.80	43.65
Dec	45.20	45.20	45.25	46.10
Feb	45.40	45.30	45.50	45.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	38.32	37.82	38.40	37.45
May	38.30	38.15	38.37	37.00
Jul	38.42	38.27	38.50	37.65
Aug	37.20	37.27	37.45	36.97
Feb	49.37	49.37	49.37	48.85
Mar	47.50	47.82	0	47.50
May	50.00	50.00	0	0
Jul	51.20	51.20	0	0

LONDON STOCK EXCHANGE

Equities on hold for the trade data

UK SHARE traders took no chances yesterday as worries over interest rates in other European centres kept nerves taut in London ahead of the UK trade figures for January, due this morning. Any move above £1.5bn in the monthly deficit on UK current account will upset equities, but sterling's reaction is likely to be decisive.

In turnover substantially reduced from recent levels, the FT-SE Index juggled with the 2,000 mark, settling above it only in the final hour of UK trading, when Wall Street made a firm start to the new session.

Equities started well as Wall Street's overnight improvement encouraged a technical reaction from Monday's setback in the London market. A steadier performance from sterling soothed some of the worries over prospects for UK interest rates. Equities also benefited from the expiration of the current FT-SE futures contract, which inspired some technical activity in the underlying stocks.

The rally survived the news of a £158m rights issue from London & Scottish Marine Oil (LASMO) as part-financing of its purchase of the North Sea assets of International Thomson. Sheer lack of business spoiled the advance, however, and early gains had been all but eliminated by mid-session.

Although most of the major blue chips managed to recover some of their lost ground, Unilever were a dull feature after the board warned of slower profit growth ahead.

The stock market moved sluggishly for the rest of the day and with New York slow in early trading, London did not flick higher until very late in the session.

At the close, the FT-SE Index was 5.7 ahead at 2002.4 but showing little sense of conviction. Equity chart analysts mostly agree that the market will correct downwards to the FT-SE 1920-1960 area – the higher figure being the more likely now that 1988 has proved a resting point, according to Mr Robin Aspinall at Schroders Securities. At Phillips & Drew, Ms Amanda Sells believes 2030 would prove the upside barrier even if the trade figures turn out well, after which the FT-SE may fall back to around 1964.

The most discouraging factor was the 13 per cent drop in Seaq-reported turnover to 357.5m shares. The relative quietness of the market may be concealing the effects of this week's changes in Seaq reporting of large share deals. Whispers of programmed trades yesterday could not be substantiated because large deals are now not reported until the following day.

Several securities firms are programming their computers to pick up sudden changes in major share volumes which could reveal completion of a large deal, enabling traders to identify its price.

Account Dealing Dates

*First Dealings:	Feb 13	Feb 27	Mar 13
Option Declarations:	Feb 23	Mar 9	Mar 30
Last Dealings:	Feb 24	Mar 10	Mar 31
Account Day:	Mar 6	Mar 20	Apr 10

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Feb. 28	Feb. 27	Feb. 24	Feb. 23	Feb. 22	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	87.95	87.60	88.08	88.13	88.31	90.47	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.57	98.42	98.48	98.41	98.54	90.55	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1650.0	1644.2	1653.4	1663.7	1673.7	1439.1	1714.7 (9/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	172.6	172.0	169.2	163.6	152.4	236.8	312.5 (7/1/88)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Feb. 28	Feb. 27	Feb. 24	Feb. 23	Feb. 22	Year Ago
Ord. Dl. Yield	4.51	4.53	4.49	4.49	4.38	4.44
Earning Yld %(full)	11.09	11.13	11.00	11.03	10.89	10.59
P/E Ratio(Net)(☆)	10.92	10.88	11.01	10.98	11.13	11.47
SEAQ Bargains(5pm)	23,682	25,424	31,351	29,571	30,349	28,764
Equity Turnover(£m)†	-	1053.66	1565.22	1477.98	1334.51	1009.35
Equity Bargains†	-	28,903	34,297	32,691	33,031	29,973
Shares Traded (ml)†	-	458.4	597.4	536.3	510.2	398.9

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1644.9	1648.6	1648.0	1647.5	1643.2	1646.3	1647.1	1646.7

DAY'S HIGH 1650.6 DAY'S LOW 1644.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.85 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb 27	Feb 24
Gilt Edged Bargains	115.7	126.5
Equity Bargains	197.3	222.2
Equity Value	2129.8	3163.7
5 - Day average		
Gilt Edged Bargains	125.8	122.5
Equity Bargains	212.6	218.7
Equity Value	2682.5	2626.4

● London Report and latest Share Index: Tel. 0898 123001

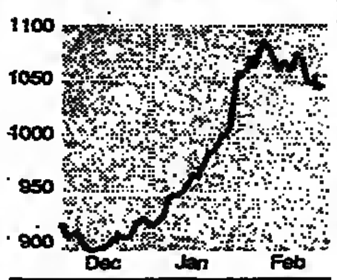
Switch knocks Gussies

Mail order and retail group Great Universal Stores (GUS) fell foul of misplaced market talk yesterday as the shares dropped sharply following the sighting late on Monday of a large switch out of the stock into Marks and Spencer. The business immediately provoked wild talk of profits downgradings and bearish company visits. The downward pressure inevitably took its toll and GUS "A" slumped to 1068p before recovering to close down 30 at 1074p on higher than usual turnover of 1.1m shares.

US securities house Shearson Lehman, widely named as a possible downgrader, denied lowering its forecast for GUS (currently standing at £398m for year-end March 1989) or that it had visited the company. Although Shearson analyst Mr Rowan Morgan said he had heard talk of trading problems at GUS, he is not changing his stance on the stock. "GUS is doing something to sort out its mail order cost base and we remain quite positive on the stock despite the difficult conditions in the clothing market."

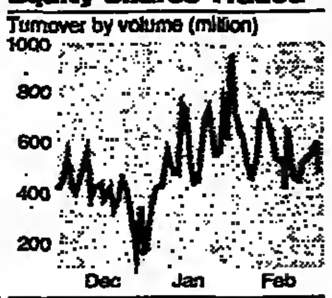
A more negative view is taken by another US house, Morgan Stanley, which also had to deny rumours that it had re-rated GUS yesterday. Morgan did say, however, that it is currently taking a "long-term negative" position, mostly because of the adverse affects of last year's postal strike.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Unilever falters

Unilever was marked down quickly on news of 1988's full year profits of £1,454m, which came in at the low end of expectations. The shares were further undermined by profit takers who originally bought Unilever on the back of its well-regarded acquisition of Faberge last month. The shares ended 13 lower at 523p, just a penny above the day's low. Turnover was a busy 8.1m shares.

"Higher US interest rates take some of the gloss off the Faberge deal," said Mr Richard Allen, an analyst at Kleinwort Benson. "The price was ripe for correction." As for the disappointing figures, blame was spread thinly across Unilever's balance sheet. "Currency, lower volume growth and low quality profits from property," said one analyst. "Interest charges and exceptional items," said another.

Most, however, agreed on where to pitch their forecasts. BZW switched its recommendation from buy to hold as its analyst Mr John Parker cut his 1989 profits forecast from £1735m to £1685m. Kleinwort's Richard Allen has also lowered his figures, by £20m to £1630m. Although he reiterated his faith in Unilever's growth prospects, Mr Allen said he would not be too surprised to see the shares back toward the £5 level before they recover.

LASMO backlash

The oil and gas sector took a knock as the rights issue rumoured on Monday afternoon materialised at LASMO, one of the major UK independent oil and gas groups. The UK group is asking shareholders for £158m, via a rights issue in the ratio of two-for-nine at 375p a share.

Lasmo shares slumped to 425p offered at one point, with a five point backwardation established at the same time. Later in the day the shares rallied to close a net 30 lower at 433p. Turnover increased sharply to 4.3m shares.

Lasmo said the proceeds from the issue will help finance the acquisition of the North Sea assets auctioned off by International Thomson Organisation which Lasmo are buying for £358m.

Commenting on the issue, Mr Jeremy Hudson of Shearson Lehman Hutton, the US securities house, said "the use of the equity to finance the deal helps preserve the tax shelter for foreign drilling but has disappointed shareholders. As a deal it looks attractively priced, leaves a strong balance sheet and should boost Lasmo to the top ten UK North Sea producers by the mid 1990's.

The Lasmo fund raising immediately triggered a fresh bout of speculation in the market that Enterprise Oil, the UK's other main exploration and production stock, could well be the next oil group to ask its shareholders for money.

The chances of a rights issue in Enterprise upset the share price which dropped 10 to 525p on turnover of 1.3m. Dealers and analysts said Enterprise could well be interested in acquiring the North Sea assets of Texas Eastern, the US group currently offering its UK and Norwegian North Sea interests for sale as part of its defence of the bid from Coastal Corporation.

To pay for these assets, which could cost up to £1.3bn according to the market stories, Enterprise would have to launch a rights issue of some £500m to £600m. The auction of Texas Eastern's overseas assets closes on March 14. Enterprise's preliminary figures are due two days later.

There was widespread relief in the electronics market at the absence of any fund raising by STC which pleased by unveiling preliminary figures at the top end of market expectations. Profits came out at £230m, up 22 per cent on last year's figure.

Dealers said the numbers were well received, and the shares, which opened at 310p, moved ahead to touch 318p at best before slipping back to close easier on the day at 308p. Turnover expanded rapidly, ending an active session at 7.2m.

The group also revealed yesterday that Northern Telecom had no plans to sell any of its 27.4 per cent stake in STC and that Japan's Fujitsu had agreed to waive an obligation for Northern Telecom to reduce its holding by 3.5 per cent as previously agreed with Fujitsu, one of STC's partners.

Dealers and analysts voiced mixed opinions. Some continued to take the view that the 27.4 per cent stake could be used as a platform to launch a full bid for STC – perhaps if GEC/Siemens are given the go-ahead to renew their joint bid for Plessey.

Currency considerations again helped pharmaceuticals advance in a lacklustre market. "That might all change after [today's] trade figures," said one analyst ruefully. Features were Beecham (585p up 8p) and Fisons (up 6 at 253p). Fresh American interest was reported in Reuters, which put on 14 to 650p.

The preliminary figures from Sir Alfred McAlpine came as a disappointment to the market. Pre-tax profits were £20.47m, against £31.44m, and were described by dealers as extremely poor. The shares closed down 15 at 319p, after 312p.

George Wimpey shares continued to reflect stories that FAI Insurances, the Australian group, has been increasing its shareholding last revealed as being in the region of 3 per cent; dealers said that the recent spate of buying of Wimpey had been carried out by FAI whose stake, according to one trader, "has almost certainly broken 4 per cent and is on its way to 5 per cent."

Amber Day, clothing manufacturer and importer, jumped 2¼ to 49p on speculation that Mr Tony Berry, recently ousted as chief executive of Blue Arrow, will soon join the group to head its expansion programme. Elys (Wimbledon) jumped 115 to 965p on sudden speculative interest.

The Hoare Govett recommendation for clients "to switch out of British Telecom into Cable & Wireless," saw the latter improve 6 to 424p. Whispers of a possible rights issue in Ferranti in the not-too-distant future left the shares easier at 110p, while the summonses issued against GEC-Marconi upset GEC shares which dipped to 228p on 4.1m.

Racal Telecom rose strongly late in the day after news that US investors held over 10 per cent of the shares following the Goldman Sachs re-rating which triggered the latest bout of transatlantic buying of the stock.

Small companies featured among engineering stocks. John Williams continued its ascent after another recommendation, this time from a newsletter telephone service, and closed 9 higher at 59p. Trading was brisk and buyers who came in last week at around the 40p level had no problem taking profits, said a marketmaker.

Among quietly traded Foods Dalgety was the feature, climbing 2 to 356p on turnover of 1.5m shares. The market is convinced that a large overseas stakeholder is about to turn up on the share register; Mr John Spalvins, head of Australian group Adelaide Steamship, has replaced Irish meat millionaire Mr Larry Goodman as the favourite among dealers to reveal that he has a stake in Dalgety.

US buyers continued to chase Blue Arrow, which rose 2 to 82p after Wall Street opened. "The UK has a blinkered view of the stock and is now a net seller to Americans who see it as cheap," said a dealer. Ever-volatile Eurotunnel raced 42 ahead to 810p on renewed French interest.

USM-listed British Island Airways gave up most of Monday's gain to close 10 lower at 132p, while Stat Plus moved 8 ahead to 221p on thinly spread interest after revealing full year profit figures up 35% at just over £5m.

Investors again took to Jaguar and the shares rose 5 more to 313p. A specialist trader said the effects of the pay dispute have been less damaging than expected on sentiment and now there is hope of a settlement. Investors are beginning to realise this, he continued.

Moss Trust, the troubled USM stock, returned quickly from suspension and immediately dived deeper on news that changes in accounting treatment will "produce a deficit on the distributable reserves." This revelation coupled with the omission of final dividend payments on both the ordinary and convertible preference shares, left the former down 13 more at 33p.

Awaiting today's preliminary figures, WPP became a little nervous and slipped back 6 to 678p. Mr Chris Akers and Ms Rebecca Munns, agency sector researchers at Citicorp Scrimgeour Vickers, are looking for pre-tax profits of £38.5m and earnings per share of 52p.

Wates City of London Properties continued to draw strength from Monday's announcement of a 31 per cent increase in its net asset value. The shares rose 5 to 189p as the company announced the acquisition of BZW's old City headquarters for over £37m.

Mersey Docks & Harbour (MD&H) units soared to a peak 600p, up 39, after news that planning application has been submitted by the company and partner Ollerton Developments for the joint redevelopment of a 32-acre site in Liverpool's north docks. The scheme for the regeneration of the site, called Stanley Dock, will cost £70m

Templeton Galbraith & Hansberger received a re-rating after analysts took stock of a solid second-half trading performance and decided to raise forecasts for the current year. Mr John Chester of Warburg Securities was particularly impressed with the contribution from the fund management division. He said there were opportunities for the company to achieve overall growth of 20 per cent this year and was lifting his profits estimate from $54m to $61m. Templeton shares rose 8 to 163p with some investors hoping for more good news on Friday when management officials meet analysts.

Expiry day in the February FT-SE 100 Index contract lent the main colour to traded options dealings, as overall turnover came to no more than 26,651 contracts, comprising 14,777 calls and 11,874 puts. Business in the index option came to 5,514 calls and 5,842 puts, in a total of 11,356, with the February contract expiring at a settlement price of exactly 2,000.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

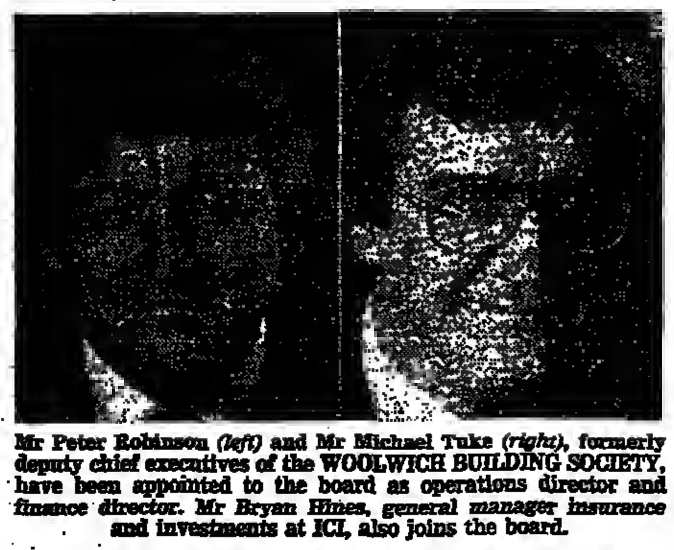
Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (78).
BRITISH FUNDS (3) Treas. 3pc 1989, Treas. 2pc IL '90, Treas. 3pc '95, AMERICANS (1) Lockheed, CANADIANS (1) Gt. Pacific Res., BANKS (1) Bank Ireland, BREWERS (1) Scott & New., BUILDINGS (4) Baggeridge Brick, Bailey (B.), Galliford, Tilbury, CHEMICALS (3) Chemoxy Int'l., Rechem Envmtl. Servs., Rentokil, ELECTRICALS (6) Bowthorpe, Dale Elect., MTL Instr., Nth. Telecom, Pifco Hldgs. "A", ENGINEERING (7) ASW, Concentric, Davy Corp., Linread, Ratcliffe (G.B.), Senior Eng., Spirax-Sarco, FOODS (2) Bensons Crisps, Morrison (Wm.), 5¼pc Rd. Pf., HOTELS (1) Jurys Hotel, INDUSTRIALS (15) AAH, Amber Inds., Assoc. Nursing Servs., BSS Grp., Brown & Tawse, Embert, Grafton Grp., Gordon Russell, Health Care Servs., Huntleigh Tech., Johnson Cleaners, Morgan Crucible, Reuters, Sthn. Bus. Grp., Williams (J.), LEISURE (8) Anglia TV, Capital Radio, Central ITV, Cityvision, Radio City "A" NV, Radio Clyde, Scott. TV, Thames TV, MOTORS (1) Trinoco 11½pc '96, NEWSPAPERS (2) Blenheim Exbs., Euromoney Pbs., PAPERS (3) Aspen Comms., FKB Grp., TMD Adv., PROPERTY (3) Derwent Valley, Embassy Prop. Grp., Gt. Port. Ests. 9½pc 2002, SHIPPING (3) Mersey Dk. Units, Tiphook, Turnbull Scott, TEXTILES (1) Palma Grp., TRUSTS (4) Dundee & London, Mezzanine C & I Tst., Templeton Gbrth., Transcont. Serv., OILS (2) Cultus Res., Woodside, MINES (2) Anglo Amer., Bond Int'l., Rus. Plat., THIRD MARKET (2) Takare, Whitegate Leis. Wrnts.
NEW LOWS (7).
BANKS (1) Sumitomo Bank, CHEMICALS (1) Wardle Storeys, STORES (2) Honeysuckle Grp., Panfida Grp., INDUSTRIALS (1) Third Mile, PAPERS (1) Barker (C.), MINES (1) S. African Land.

APPOINTMENTS

With the Woolwich



Mr Peter Robinson *(left)* and Mr Michael Tuke *(right)*, formerly deputy chief executives of the WOOLWICH BUILDING SOCIETY, have been appointed to the board as operations director and finance director. Mr Bryan Hines, general manager insurance and investments at ICI, also joins the board.

■ LOWNDES QUEENSWAY, the furniture and carpet retailer, has appointed Mr Michael France as group store development director responsible for the implementation of new store concepts. He was previously property director at Underwoods.

■ SD-SCICON has appointed Mr Warren Werblow, formerly chief executive of Scicon, to the new role of deputy chief executive, Europe. He is succeeded at Scicon by Mr Ray Waite who was sales and marketing director.

■ Mr John Carlisle, MP for Luton North, has been appointed a non-executive director of BLETCHLEY MOTOR GROUP.

■ COATES BROTHERS has appointed Mr John Walters as group director for international operations. Mr Graham North continues as group director for resins and electrographics.

■ Mr Malcolm Johnson has been appointed managing director of ROSE PUBLICITY, and a main board member of the parent company, Ingleby. He has been with the company 17 years.

■ Mr Roger Wormal has been appointed chairman of TOM-PAC (UK DISTRIBUTION).

■ Mr Alan R. Nicholson, chief executive of Pilkington contracting division, has been appointed chairman of Keith Young Insulation, recently acquired by PILKINGTON. Mr Glyone B. Jones, is appointed managing director; Mr Steve R. Burton, business planning director; Mr Philip H. Waxman, financial director; Mr Gordon Woodgate, marketing director; and Mr Christopher N. Mathews, operations director. Mr John A. Flett and Mr Albert A. Worsley become non-executive directors.

■ Mr John R. Southgate has been appointed corporate director of public affairs for GKN from March 1. He is director of public and governmental affairs, Ford of Britain, and director of European public relations, Ford of Europe.

■ Mr D.J. Hardy has succeeded Mr D.R. Gardner as chairman of STRINES TEXTILES. Mr Gardner remains an executive director. Mr M.E. Reeves, sales and marketing director, additionally becomes company secretary.

■ Mr Leslie Gordon, joint group corporate finance and planning manager, COMMERCIAL UNION ASSURANCE COMPANY, joins CU Europe as deputy group European manager from March 1.

■ CLUGSTON CONSTRUCTION has appointed Mr David Sterry and Mr Bill Dixon, former joint deputy managing directors, as divisional managing directors of the newly-formed contracting and property divisions, respectively. Mr Peter Jordan has been appointed divisional director of the plant and tool hire division, and will continue as director and general manager of St. Vincent Plant.

■ EXPORT SOFTWARE has appointed Mr Peter Clegg to the new post of European marketing and sales director. He was with Cadnetix Europe.

■ Mr Gerald Walker-Smith has been appointed managing director, and Mr Chris Martin becomes marketing director, of EDWARD DOHERTY.

■ Mr W.F.E. Price has joined FORKWAY as executive chairman.

■ Mr Gilles Coulombeau, sales director, has been promoted to managing director of ROBINSON INSTRUMENTS. This follows the company's purchase of Bryans Instruments where Robinson's previous managing director, Mr Adam Kingdon, has taken over.

COMPANY NOTICES

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/00429/06

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
DIVIDEND NO. 126

Pursuant to the notice published on 25th January, 1989 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 10th March, 1989 is 1 rand of 100 cents equals 22.920535 p United Kingdom currency. The gross dividend payable by the United Kingdom Paying Agents is therefore, equivalent to 160.4437 p per share. Holders of share warrants to bearer are informed that payment of Dividend No 126 will be made on or after 13th March, 1989 upon surrender of Coupon 127 at the Office of Hill Samuel & Co. Ltd., 45, Beech Street, London EC2P 2LX.

	Amount payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	160.4437
Less: South African Non-Resident Shareholders' Tax of 12.71%	20.3924
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	140.0513
Less: United Kingdom Income Tax @ 12.29% on the gross dividend (See Notes 1 & 2 below)	19.7185
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	120.3328

COUPONS must be listed on forms obtainable from Hill Samuel & Co. Ltd. and deposited for examination on any week-day (Saturday excepted) at least seven clear days before the payment is required.

99 Bishopsgate, LONDON EC2M 3XE
1st March, 1989

BARNATO BROTHERS LIMITED
London Secretaries
A.F. Smith (Mrs.)
Secretary

NOTES:
(1) The gross amount of the dividend for use for United Kingdom income and Surtax purposes is 160.4437p per share.
(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 12.29% instead of at the standard rate of 25% represents an allowance of credit at the rate of 12.71% in respect of South African Non-Resident Shareholders' Tax.

To the Holders of Warrants to subscribe for shares of common stock of NANKAI ELECTRIC RAILWAY CO., LTD., (the "Company")

(Issued in conjunction with an issue by the Company of U.S.$ 100,000,000 5 per cent. Guaranteed Bonds 1993)

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4 (A) and (D) of the Instrument dated 23rd February, 1988 under which the above described Warrants were issued, notice is hereby given that on 15th February, 1989 the Board of Directors of the Company resolved a free distribution of shares of common stock of the Company at the rate of 0.05 share for each one share to its shareholders of record as of 31st March, 1989.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 3 of the Instrument from YEN 1,326.50 to YEN 1,263.30 with effect from 1st April, 1989.

NANKAI ELECTRIC RAILWAY CO LTD.
(By: The Sanwa Bank, Limited as Principal Paying Agent)
1st March, 1989

JOHN WILLIAM JAMES FREESTON - DECEASED

Pursuant to the Grant of Probate issued by the Principal Registry of the Family Division of the High Court of Justice, dated 1st July, 1965, in relation to the Estate of John William James Freeston, deceased late of 11 Braemar Close, Godalming, Surrey who died on the 18th of April, 1965:

NOTICE IS HEREBY GIVEN that all persons claiming to be entitled under the said Estate are to send by post pre-paid to reference TD/FP/001 of Williams Prior & Company, Temple Bar House, 23/28 Fleet Street, London, EC4Y 1AA so as to reach that address on or before the 3rd day of May, 1989, their full names, addresses and descriptions, and full particulars of their claims, or in default thereof they will be excluded from the benefit of the said Estate unless the Court on application otherwise orders.

Dated the 1st day of March 1989

William Prior & Co.,
Temple Bar House,
23/28 Fleet Street,
London, EC4Y 1AA.

GLOBAL ALPHA STRATEGY FUND SICAV
comprising
PACIFIC ALPHA FUND
US/EUROPE ALPHA FUND

R.C. Luxembourg B 21433

Notice is hereby given to holders of shares in GLOBAL ALPHA STRATEGY FUND SICAV that the

ANNUAL GENERAL MEETING

of all shareholders shall be held at the registered office of the Company at 16, Boulevard Royal, Luxembourg, commencing at 11 a.m. on Monday 20th of March, 1989, to consider and vote upon the following agenda:

i) Submission of Directors' report for the year to 31.12.1988,
ii) Submission of Auditor's report for the year to 31.12.1988,
iii) Approval of the Annual Accounts for the year to 31st December 1988,
iv) Discharge to Directors of their duties,
v) Discharge to the Auditor,
vi) Payment of dividend.

Holders of bearer shares who wish to attend at the meeting should deposit their shares at the registered office of the company at least one business day before the meeting. Copies of the Annual meeting, including financial statements, will be available at the registered office 15 days before the date of the meeting.

The Annual General Meeting will be followed by an

EXTRAORDINARY GENERAL MEETING

of Shareholders to consider the following agenda:

i) Proposal, recommended by the board, to amend the Articles of Association of the Company in such manner as may be necessary to permit the company to obtain a licence in Hong Kong.
ii) Proposal, recommended by the board, to amend the Articles of Association of the Company in such manner as may be necessary to permit the company to re-register in Luxembourg under Part 1 of the Law of 30th March 1988.

Copies of the proposed changes to the Articles of Association are available in full from the Company.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of the Japan Associated Finance Co. Ltd., (JAFCO) Annual Report for the fiscal year ended 30th September, 1988, are now available to EDR holders from The Bank of Tokyo, Ltd., Northgate House, 20/24, Moorgate, London, EC2R 6DH and The Bank of Tokyo (Luxembourg) S.A., 1-3 Rue du St. Esprit, 1475, Luxembourg.

Bank of Tokyo International Limited (Depositary)

1st March, 1989

PERSONAL

PUBLIC SPEAKING Training and speech writing by award winning speaker. First lesson free. 01 630 2197.

PUBLIC NOTICES

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA - UNITED KINGDOM FREIGHT CONFERENCE
NOTICE TO SHIPPERS AND CONSIGNEES
INLAND RATES AND CHARGES IN ENGLAND, SCOTLAND AND WALES

The Member Lines of the above Conferences have to advise Shippers and Receivers that due to increased costs which they have been forced to bear since the levels of Inland Rates were last increased, an upward revision in these rates and charges is unavoidable.

The revised levels will become effective on 1st April 1989, the details of which may be obtained from any of the undernoted Member Lines:-

Atlantic Container Line B.V.
Canada Maritime Limited
Cast (1983) Limited
Hapag-Lloyd A.G.
Orient Overseas Container Line (UK) Limited

CANADIAN ATLANTIC FREIGHT SECRETARIAT LIMITED
Secretaries

Stoner House,
Kilnmead,
Crawley,
West Sussex RH10 2BG.

March 1989

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H
00 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.66	46.15xd	49.09	+0.57	5.58
Gilts & Fixed Int	6	113.00	113.80	120.80	+0.2	8.28
High Inc Equity	6	126.20	129.20	137.40	+0.9	4.35
Worldwide Bond	6	186.50	186.50xd	197.70	+0.6	4.91
Capital Growth						
American Growth	6	155.50	157.30	167.50	+2.2	1.31
Asian Pacific	6	80.76	82.95	87.71	+1.29	1.23
Assets & Earnings	6	153.50	157.32	167.30	+3.9	2.37
Capital Reserve Acc	0	83.37	83.37	83.38	+0.11	4.00
Comdty & Energy	6	91.77	94.38	100.40	+1.36	0.00
1992 Enterprise	6	52.95	53.98	57.42	+0.06	3.11
European Capital	6	76.25	76.91	81.81	+0.22	0.90
General	6	165.70	168.80xd	179.50	+0.5	2.51
Japan	6	105.30	107.10	111.90	-1.1	0.00
Mastertrust	6	78.25	78.25	83.69	+0.84	1.76
UK Growth Acc	6	194.30	202.70	215.00	+7.8	1.60
UK Growth Dist	6	130.40	136.10	144.70	+5.2	2.36
US Emerging Cos	6	45.50	47.01	50.01	+1.36	0.00
Income & Growth	6	276.60	282.00	300.80	+2.8	3.16
Ethical	6	47.06	48.26	51.34	+0.12	2.43

Abtrust Management Ltd (1800)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	42.48	42.48	49.19	-0.35	1.75
Australian	5¼	21.73	21.73	23.11	+0.16	1.24
European	5¼	51.39	51.70	54.62	+0.56	0.00
Extra Income	5	41.28	41.28	43.82	-0.01	5.05
Fund Inv Tst	5	114.2	114.2	121.5	+0.4	2.02
Do Accum	5	174.1	174.1	185.2	+0.6	2.07
Gilt & Fixed Inc	5¼	21.95	21.95	23.35	-0.00	10.04
Global Income	5¼	38.63	38.63	41.00	+0.21	4.51
Income & Growth	5¼	70.07	70.07xd	74.54	+0.53	3.87
Japan	5¼	174.7	174.7	185.9	-2.30	0.01
Nth Amer Inc (z)	5	26.18	26.18	27.70	+0.26	3.90
Special Situations	5¼	69.24	69.24	73.65	+0.27	0.99
UK Growth	5	35.33	35.33	37.50	+0.15	2.62
World Gwth	5	44.70	44.70	47.54	-0.29	1.98

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the maximum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ – 0001 to 1100 hours; ♦ – 1101 to 1400 hours; ▲ – 1401 to 1700 hours; ♣ – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	63.08	65.54	69.73	+0.17	5.31
Earlybird	5	55.48	57.08xd	60.70	+0.14	0.38
Far Eastern	5	54.87	54.90	58.41	+0.21	1.14
Growth	5	87.74	71.25	97.05	-0.21	1.63
Income	5	80.45	82.42xd	87.69	+0.38	3.77
Property Share	5	51.76	54.76	58.29	+0.19	1.25
Smaller Co's	5	59.20	62.50	66.49		-1.56
Formerly EBC Trust Managers Ltd						
Windsor Sel Gth Acc ♦	5	64.71	64.71	69.21	+0.30	2.80
Windsor Select Inc ♦	5	67.92	67.92	71.73	+0.05	3.37
Windsor Sel Inc Acc ♦	5	72.90	72.90	76.95	+0.45	3.37
Windsor Eth Amer ♦	5	51.74	51.74	55.34	-0.02	0.33
Windsor Intl ♦	5	41.54	41.54	44.43	+1.08	1.42
Wright Seligman Fund Mngs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	92.17	92.17	98.17	-2.09	3.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pl, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	60.69	62.95	66.97	+0.22	3.11
YUTM WS Eqty Inc Tr	5¼	59.24	61.20	65.11	+0.14	4.55
YUTM Intl Gwth Tst	5¼	45.54	45.54	48.64	-0.17	1.14

OTHER UK UNIT TRUSTS

		Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd					
Int'l Exmt Feb 15		428.6	445.31		
Cent. Bd. of Fin. of Church of England‡‡					
2 Fore Street, London EC2Y 5AD 01-588 1815					
Inv Fund Jan 31			492.95		4.71
Fxd Int Sec Jan 31			143.75		9.95
Deposit Jan 31			100.00		12.45
Charities Official Invest. Fund‡‡					
2 Fore Street, London EC2Y 5AD 01-588 1815					
Income Jan 31			469.21		4.97
Accum Jan 31			1500.47		
Edinburgh Fund Mngrs PLC					

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	255.4	268.4	+0.1	-
Equity Acc	799.4	841.5	-4.9	-
Property Acc	482.2	507.6	-	-
Far East Acc	195.0	205.3	-1.1	-
European Acc	20.1	21.2	+0.1	-
Managed Acc	634.2	667.6	-4.6	-
Managed Cap	361.3	380.4	-2.6	-
O'seas Earnings Acc	534.2	562.3	-6.0	-
Gilt Edged Acc	313.0	329.8	-1.8	-
American Equity Acc	394.3	415.1	+1.8	-
American Man Acc	164.1	173.8	+0.8	-
American Prop Acc	134.6	141.7	-0.1	-
Pen F I Dep Cap	280.9	295.7	+0.1	-
Pen F I Dep Acc	476.4	501.5	+0.2	-
Pen. Prop. Cap	546.1	546.0	+0.1	-
Pen. Prop. Acc	1063.8	1119.0	+0.3	-
Pen. Man. Cap	776.8	817.7	-2.8	-
Pen. Man. Acc	1454.0	1530.6	-6.0	-
Pen Gilt Edg Cap	312.1	328.6	-1.6	-
Pen. Gilt Edg. Acc	477.4	502.6	-2.4	-
Pen. Eq. Cap	1267.8	1334.6	+6.2	-
Pen. Eq. Acc	1798.7	1893.4	+9.0	-
Pen. Am. Eq Cap	124.4	131.0	+0.7	-
Pen. Am. Eq Acc	148.7	156.6	+0.9	-
Pen. Far East Cap	229.5	241.6	-1.7	-
Pen. Far East Acc	274.4	288.9	-2.0	-
Pen. Euro Cap	22.4	23.6	+0.1	-
Pen. Euro. Acc	24.1	25.4	-0.1	-
Pen. B.S. Acc	519.2	546.2	+0.2	-
Pen. B.S. Cap	314.7	330.5	+0.1	-
Pen. D.A.F. Acc	364.5	364.5	+0.2	-
Pen. D.A.F. Cap	249.0	249.0	+0.1	-
Pen. Mortgage Cap	140.6	148.0		-
Pen. Mortgage Acc	168.1	177.0	+0.1	-
Barlow Funds				
Pen Equ Cap	26.5	27.9	-0.1	-
Pen Equ Acc	27.3	28.8	+0.2	-
Pen Am Eq Cap	27.2	28.7	+0.1	-
Pen Am Eq Acc	28.0	29.5	-	-
Pen Far East Cap	28.5	30.0	-0.3	-
Pen Far East Acc	29.3	30.9	+0.3	-
Pen Euro Cap	30.1	31.7	+0.2	-
Pen Euro Acc	31.0	32.7	+0.2	-
James Capel Funds				
Pen Equ Cap	27.1	28.6	-0.4	-
Pen Equ Acc	28.0	29.5	-0.3	-

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	279.4	294.2	-7.7	-
Man Pens Inc & Cap Fd	361.5	380.6	-12.9	-
Money Fund	117.2	123.4	---	-
Pens Mngd Fd (Init)	100.9	106.3	---	-
Pens Mngd Fd (Acc)	120.1	126.5	---	-
Pens FT30 Fd (Init)	142.5	150.0	---	-
Pens FT30 Fd (Acc)	169.6	178.6	---	-
Pens O'seas MngFd(Init)	70.7	74.5	---	-
Pens O'seas MngFd(Acc)	84.2	88.7	---	-
Pens Fxd Inc Fd (Init)	105.7	111.3	---	-
Pens Fxd Inc Fd (Acc)	125.0	132.5	---	-
Pens Deposit Fd (Init)	103.4	108.9	---	-
Pens Deposit Fd (Acc)	123.1	129.6	---	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	105.0	111.0	+1.0	-
Building Soc. Fd.	168.0	177.0	---	-
Balanced	269.0	284.0	---	-
Deposit	168.0	177.0	---	-
European	149.0	157.0	+1.0	-
GT Managed	169.0	178.0	---	-
Gartmore Mngd	110.0	116.0	-1.0	-
German	102.0	108.0	+1.0	-
Gilt	173.0	183.0	---	-
Global	48.0	51.0	---	-
High Inc.	116.0	122.0	---	-
International Equity	175.0	185.0	+1.0	-
Japan	236.0	249.0	---	-
Managed	61.0	65.0	---	-
Property	276.0	291.0	---	-
R. W. Imperial Gold	130.0	137.0	---	-
UK Equity	365.0	385.0	---	-
Pension Funds				
American	128.0	135.0	---	-
Building Soc. Fd	165.0	174.0	---	-
Balanced	209.0	220.0	---	-
Deposit	159.0	168.0	---	-
European	148.0	156.0	---	-
German	93.0	98.0	---	-
Gilt	146.0	154.0	---	-
International Equity	129.0	136.0	---	-
Japan	137.0	145.0	---	-
Managed	62.0	66.0	---	-
Property	219.0	229.0	---	-
UK Equity	324.0	342.0	---	-

[illegible]

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	522.5	550.1	+2.2	-
Equity	752.4	792.0	+5.2	-
Global Equity	213.2	224.5	-0.1	-
Fixed Interest	397.2	418.2	+0.5	-
Property	374.3	394.0	+0.1	-
Cash	151.1	159.1	+0.1	-
Index Linked Gilt	193.4	203.6	+1.3	-
Guaranteed	£1.93		---	-
International Money	194.4	204.7	+0.6	-
North American	97.1	102.2	+0.5	-
Japanese	136.5	143.7	-1.8	-
European	78.8	83.0	+0.1	-
Special Situations	111.5	117.4	+0.3	-
Communications	90.7	95.5	+0.3	-
Smaller Companies	106.1	111.7	+0.3	-
International Small Cos	114.5	120.6	+0.1	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Feb 23	£146.49	151.40	---	-
Equity Feb 23	£160.85	166.77	---	-
International Feb 23	£23.57	24.28	---	-
Intl Bond Feb 23	£11.07	11.22	---	-
Fixed Int Feb 23	£71.96	72.91	---	-
Index Linked Feb 23	£60.09	68.03	---	-
Property Feb 23	£104.11	110.38	---	-
Cash Feb 23	£20.1299	20.1299	---	-
Pru-Linked Retirement Plan				
Managed Feb 22	365.2	380.5	---	-
Cash Feb 22	189.4	197.3	---	-
Prudential Pensions Investment Account				
Pens Mixed Feb 28	144.8	152.5	-0.6	-
Pens UK Eq Feb 28	269.1	283.5	-6.6	-
Pens Intl Feb 28	170.9	179.9	-0.5	-
Pens Fixed Feb 28	163.2	171.8	-1.6	-
Pens Index Lk Feb 28	131.5	139.5	-1.6	-
Pens Cash Feb 28	123.7	130.3	---	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8000

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	112.0	117.0	+0.4	-
Balanced Ptflio Fd	296.3	311.8	+1.0	-
Cautious Ptflio Fd	118.6	124.8	+0.3	-

[illegible]

Scottish Amicable
150 St Vincent St, Glasgow

[illegible]

Scottish Equitable
28 St Andrew Sq, Edinburgh

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

BERMUDA AUTHORISED

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	98	Treas 9½pc Cnv 1989	99	.....	9.54	12.07
98	95	Treas 3pc 1989	98	+	3.05	10.42
102	98	Treas 10½pc 1989	99	+	10.57	12.63
102	98	Exch 10pc 1989	98	+	10.20	12.59
103	98	Exch 11pc 1989	99	+	11.10	12.78
97	94	Treas 5pc 1986-89	96	+	5.17	10.66
104	98	Exch 10½pc Cv '89	99	.....	10.30	11.00
107	100	Treas 13pc 1990	100	+	12.89	11.95
104	99	Exch 11pc 1990	99	+	11.09	11.87
107	100	Exch 12½pc 1990	100	+	12.43	11.91
93	90	Treas 3pc 1990	92	+	3.24	9.80
99	95	Treas 8¼pc 1987-90	96	.....	8.58	11.55
102	95	Treas 8pc Cv 1990	97	+	8.22	10.15
103	97	Treas 10pc Cv 1990	97	+	10.23	11.54
91	87	Exch 2½pc 1990	89	+	2.79	9.20
107	100	Treas 11¾pc 1991	100	+	11.69	11.43
95	89	Funding 5¾pc '87-91	92	+	6.31	10.61
90	86	Treas 3pc 1992	87	+	3.43	9.32
105	97	Treas 10pc Cv '91	98	+	10.14	10.68
107	98	Exch 11pc 1991	99	+	11.04	11.14
98	91	Treas 8pc 1991	92	+	8.62	11.09
113	103	Treas 12¾pc 1992	104	+	12.18	10.82
104	96	Treas 10pc 1992	97	+	10.22	10.87
98	91	Treas 8pc 1992	92	+	8.65	10.88
106	98	Treas 10½pc Cv 1992	99	+	10.59	10.82
86	81	Treas 3pc 1992	84	+	3.57	8.65
112	102	Exch 12¼pc '92	104	+	11.77	10.82
117	106	Exch 13½pc 1992	107	+	12.51	10.74
97	91	Treas 8¼pc 1993	92	+	8.92	10.63
105	96	Treas 10pc 1993	98	+	10.16	10.48
115	105	Treas 12½pc 1993	106	+	11.72	10.56
[illegible]	85	Funding 6pc 1993	86	+	6.91	9.62

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥ASM Gold Corp ‖	144p	–10	–	–	–
32p	4½p	♥Abbot Energy Corp	13½p	+¼	–	–	–
14⅛	882p	♥Amer. Barrick Res.	12⅝	+½	–	–	–
10p	2½p	♥Amer. Lightrane ‖	2½p	.....	–	–	–
47p	7½p	♥Armeno	18p	+1½	–	–	–
125p	83p	♥Asiamerica ‖	100p	.....	–	–	–
76p	23p	♥Augmitto Explo.	25½p	+1½	–	–	–
14⅝	10⅝	Bk. Montreal ‖	13½	.....	$2.12	–	7.5
769p	514p	Bk. Nova Scot. ‖	694p	+12	84c	–	5.8
18¾	15¼	BCE ‖	18	+⅛	$2.44	–	6.5
716p	527p	♥Bow Valley ‖	676p	+6	♦40c	–	2.8
14¾	10½	♥Brascan ‖	13¼	+⅛	88c	–	3.2
328p	177p	♥Breakwater Res.	199p	+2	10c	–	2.4
13¼	801p	Can. Imp Bank ‖	12	+⅛	$1.16	–	4.6
12¼	841p	Can. Pacific ‖	10¾	+⅛	76c	–	3.4
41½	38½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
[illegible]	357p	Central Capital "A" ‖	395p	–2	–	–	–
[illegible]	313p	♥Corona Corp.	437p	–2	–	–	–
[illegible]	228p	♥Cons TVX Mln.	335p	+21	–	–	–
[illegible]	21p	♥Daebus Mem. Syst. ‖	22½p	–½	–	–	–
[illegible]	430p	♥Derlan Inds. ‖	595p	+6	11.75c	–	1.0
14⅛	746p	♥Echo Bay Mines	916p	+14	$0.07	–	0.4
[illegible]	249p	♥ECO Corp ‖	431p	–14	–	–	–
[illegible]	11½p	♥Energex Minerals ‖	13p	.....	–	–	–
		For Euro-Asia see Asiamerica					
[illegible]	196p	♥Galactic Resources	218p	+2	–	–	–
[illegible]	267p	Gandall Techs Inc.	284p	+5	–	–	–
[illegible]	40p	♥Geodome Res.	41p	+1	–	–	–
[illegible]	141p	Granges Explo ‖	170p	+6	–	–	–
[illegible]	4½p	♥Gt Pacific Res.	24p	+1	–	–	–
[illegible]	576p	♥Gulf Canada ‖	676p	+6	52c	–	3.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ✦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....γ	80	.....
Craig & Rose £1..γ	710	.....
Finlay Pkg. 5p....γ	93	.....
Holt (Jos) 25p.....γ	1245	+2

IRISH

Cap. 8½% Ln. 1991...	£99¾	.....
9pc Cap Ln 1996..	£100	+¼
Fin. 13% 97/02...	£121	.....

Arnotts	420	.....
Carrol (P J)..... γ	154	.
Hall (R. & H.).....	175	-5
Heiton Hldgs.......γ	70	+2
Irish Ropes..........	185	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons...	48
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	19
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	13
Midland Bk	35
Morgan Grenfell	20
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	13
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	58
STC	24
Sears	13
TI	32
TSB	●
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	38
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	36
Charterhall	2½
Premier	4
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling a little more confident

STERLING HAD a slightly more confident tone on the foreign exchanges yesterday. Trading was cautious, ahead of today's UK trade figures for January, but the mood of pessimism seen on Monday was much less evident.

It was suggested that even if the January current account deficit is towards the top of the City's forecast £1bn to £2bn range this will not necessarily mean an immediate rise of 1 per cent to 14 per in bank base rates. Such a rise, it was argued, will only insure a hard landing for the UK economy later this year.

The rise in base rates since the middle of last year has slowed economic growth, and this has not yet fully fad through into the monthly statistical news. The main fear is that another increase in base rates will not just slow the economy, but could push the UK into recession.

The other major factor yesterday was growing doubt about the direction of West German interest rates and whether the Bundesbank council will sanction a tightening of credit policy tomorrow. Fading fears of a rise in the Bundesbank's Lombard rate helped underpin the pound.

Sterling rose to DM3.1800 from DM3.1700. The pound also improved to Y221.25 from Y220.75; to SFr2.7125 from SFr2.7075; and to FFr10.8150 from FFr10.7975.

In terms of the dollar sterling eased 5 points to $1.7445, but faired rather better than most other major units against the US currency. On Bank of England figures tha pound's exchange rate index gained 0.1 to 95.8.

The dollar was stuck in a narrow range. Last week's rise in the Federal Reserve's discount rate has not provided any significant support, which may be a factor likely to dissuade the Bundesbank from raising interest rates tomorrow.

As speculation about higher German interest rates faded the dollar rose to DM1.8225 from DM1.8170; to Y126.85 from Y126.50; to SFr1.5555 from SFr1.5520; and to FFr6.2000 from FFr6.1875. According to the Bank of England the dollar's index rose 0.1 to 66.7.

The dollar finished below the day's peak however, in disappointed reaction to fourth quarter US Gross National Product growth. The market was looking for an upward revision to 2.6 per cent, but yesterday's revised figure was left unchanged at 2.0 per cent.

Some of the pressure tended to ease on high yielding currencies in general. The Canadian dollar had a firmer tone and the Australian dollar improved. In Sydney the Reserve Bank of Australia intervened to support the local currency when it fell to a low of 78.60 US cents. A steady flow of overseas buying was seen later in the day however, and the Australian dollar rose to around the 80.00 cent level at the close in Sydney.

In London the Australian currency remained fairly volatile, but did not move far away from the 80.00 cent level, which seemed to represent something of a psychological barrier.

£ IN NEW YORK

Feb.28	Latest	Previous Close
£ Spot	1.7440-1.7450	1.7405-1.7415
1 month	0.48-0.47pm	0.45-0.43pm
3 months	1.39-1.36pm	1.25-1.23pm
12 months	5.72-3.65pm	3.77-5.67pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.28	Previous
8.30 am	95.7	96.2
9.00 am	95.8	96.2
10.00 am	95.9	96.2
11.00 am	96.0	96.0
Noon	96.0	96.1
1.00 pm	95.9	95.9
2.00 pm	95.9	96.0
3.00 pm	95.9	96.0
4.00 pm	95.8	95.7

CURRENCY RATES

Feb.28	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.758232	0.662774
U.S Dollar	7	1.32827	1.13583
Canadian $	11.54	1.59817	1.36129
Austrian Sch.	4	16.9660	14.6090
Belgian Franc	7.75	50.4842	43.5476
Danish Krone	7½	9.40017	8.08822
Deutsche Mark	4	2.41054	2.07652
Neth.Guilder	5.00	2.71631	2.34423
French Franc	9½	8.20472	7.06995
Italian Lira	12½	1779.22	1529.96
Japanese Yen	2½	167.296	144.587
Norway Krone	8	8.85159	7.61855
Spanish Peseta	-	151.799	130.886
Swedish Krona	8½	8.32161	7.14832
Swiss Franc	4	2.05948	1.77132
Greek Drach.	20½	N/A	174.611
Irish Punt	-	N/A	0.779672

*All SDR rates are for Feb.27

CURRENCY MOVEMENTS

Feb.27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.8	-15.9
U.S Dollar	66.7	+11.6
Canadian Dollar	101.1	-1.9
Austrian Schilling	106.8	+9.9
Belgian Franc	106.0	-6.0
Danish Krone	103.4	-1.4
Deutsche Mark	113.2	+21.0
Swiss Franc	108.6	+17.9
Guilder	110.4	+13.4
French Franc	99.3	-15.4
Lira	97.4	-20.2
Yen	151.3	+85.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.27.

OTHER CURRENCIES

Feb.28	£	$
Argentina	31.8850 - 32.0955	18.2900 - 18.4000
Australia	2.1815 - 2.1845	1.2505 - 1.2520
Brazil	1.7345 - 1.7435	0.9950 - 1.0000
Finland	7.4275 - 7.4405	4.2630 - 4.2650
Greece	265.10 - 267.55	152.55 - 153.00
Hong Kong	13.6005 - 13.6135	7.7995 - 7.8015
Iran	122.10*	69.00*
Korea(Sth)	1166.85 - 1175.20	670.40 - 675.80
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5476	+2.57	+0.85	±1.5344
Danish Krone	7.85212	8.08822	+3.01	+1.29	±1.5404
German D-Mark	2.05853	2.07652	+0.87	-0.85	±1.0981
French Franc	6.90403	7.06995	+2.40	+0.68	±1.3674
Dutch Guilder	2.31943	2.34423	+1.07	-0.65	±1.5012
Irish Punt	0.768411	0.779672	+1.47	-0.25	±1.6684
Italian Lira	1483.58	1529.96	+3.13	+2.12	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7355 - 1.7465	1.7440 - 1.7450	0.46-0.43cpm	3.06	1.29-1.24pm	2.90
Canada	2.0835 - 2.0960	2.0920 - 2.0930	0.30-0.20cpm	1.43	0.65-0.53pm	1.13
Netherlands	3.58 - 3.59½	5.58½ - 5.59½	1¾-1⅝cpm	6.06	5½-5⅛pm	5.85
Belgium	66.45 - 66.85	66.60 - 66.70	30-25cpm	4.95	85-75pm	4.80
Denmark	12.37 - 12.41¾	12.39¾ - 12.40¾	5½-4½orepm	4.84	14⅞-13⅞pm	4.62
Ireland	1.1905 - 1.1960	1.1915 - 1.1925	0.55-0.50ppm	5.29	1.58-1.48pm	5.13
W. Germany	3.17 - 3.18¼	3.17¾ - 3.18¾	1¾-1⅝pfpm	6.37	4⅞-4¾pm	6.05
Portugal	261.10 - 264.90	263.40 - 264.40	35-3cpm	0.86	80-10pm	0.68
Spain	198.80 - 200.10	199.20 - 199.50	20-5cpm	0.75	20-par	0.20
Italy	2336 - 2349½	2341 - 2342	5-par lirepm	1.28	10-5pm	1.28
Norway	11.65 - 11.69¾	11.67½ - 11.68½	1½-1¼orepm	1.35	4⅞-4½pm	1.65
France	10.79 - 10.84¼	10.81 - 10.82	3½-3¼cpm	3.61	9½-9pm	3.40
Sweden	10.94¾ - 10.96¾	10.95 - 10.96	1¾-1¼pm	1.57	4½-4¼pm	1.62
Japan	220½ - 222	220¾ - 221¾	1⅝-1½ypm	8.81	4⅞-4⅝pm	8.47
Austria	22.29 - 22.40	22.33 - 22.36	12¾-11¾gropm	6.61	36¾-34pm	6.30
Switzerland	2.70¾ - 2.71¾	2.70¾ - 2.71¾	1¾-1⅝cpm	7.47	4¾-4⅝pm	6.91

Belgian rate is convertible francs. Financial franc 66.85-66.95. Six-month forward dollar 2.35-2.30cpm 12 months 3.65-3.55cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7355 - 1.7465	1.7440 - 1.7450	0.46-0.43cpm	3.06	1.29-1.24pm	2.90
Ireland†	1.4550 - 1.4630	1.4610 - 1.4620	0.32-0.37cdis	-2.83	0.78-0.88dis	-2.27
Canada	1.1980 - 1.2035	1.1985 - 1.1995	0.15-0.18cdis	-1.65	0.52-0.55dis	-1.78
Netherlands	2.0525 - 2.0665	2.0570 - 2.0580	0.54-0.51cpm	3.06	1.54-1.50pm	2.95
Belgium	38.10 - 38.40	38.15 - 38.25	7.50-5.50cpm	2.04	19.50-16.00pm	1.86
Denmark	7.08 - 7.13¾	7.10¾ - 7.11¾	1.30-0.95orepm	1.90	3.40-2.80pm	1.75
W. Germany	1.8170 - 1.8305	1.8220 - 1.8230	0.52-0.49pfpm	3.33	1.47-1.43pm	3.18
Portugal	150½ - 151½	150½ - 150¾	20-40cdis	-2.39	65-115dis	-2.39
Spain	113.85 - 114.90	114.05 - 114.15	20-25cdis	-1.79	75-85dis	-2.13
Italy	1339 - 1350	1342 - 1342½	1.50-2.00liredis	-1.56	6.30-6.80dis	-1.95
Norway	6.68¼ - 6.71½	6.69¼ - 6.69¾	0.70-1.00oredis	-1.52	1.85-2.25dis	-1.23
France	6.19 - 6.23¾	6.19¾ - 6.20¼	0.36-0.31cpm	0.65	0.97-0.87pm	0.59
Sweden	6.26¼ - 6.30	6.27¾ - 6.28¼	0.77-0.97oredis	-1.66	1.90-2.30dis	-1.34
Japan	126.65 - 127.35	126.80 - 126.90	0.62-0.60ypm	5.78	1.78-1.75pm	5.56
Austria	12.79¾ - 12.87¼	12.82 - 12.82½	4.00-3.60gropm	3.56	11.60-10.40pm	3.43
Switzerland	1.5515 - 1.5610	1.5550 - 1.5560	0.58-0.55cpm	4.36	1.59-1.55pm	4.04

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.30-38.40.

EURO-CURRENCY INTEREST RATES

Feb.28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12-11¾	12⅝-12½	13⅛-13⅛	13⅛-13⅛	13⅛-13⅛	13⅛-13⅛
US Dollar	9⅜-9⅜	9⅜-9⅜	10⅛-9⅞	10⅛-10⅛	10⅛-10⅛	10⅜-10⅜
Can. Dollar	11⅛-10⅞	11⅛-10⅞	11⅞-11⅞	12⅛-11⅞	12⅛-12⅛	12⅛-12⅛
D. Guilder	6⅞-6⅝	6⅞-6⅝	7⅛-6⅞	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛
Sw. Franc	5½-5⅜	5½-5⅜	6⅛-5⅞	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛
Deutschmark	6⅝-6½	6⅞-6⅝	6⅞-6⅞	7⅛-7	7⅛-7⅛	7⅛-7⅛
Fr. Franc	9-8⅞	9⅛-8⅞	9⅛-9⅛	9⅜-9⅛	9⅜-9⅜	10-9⅞
Italian Lire	11-9	11⅛-10⅞	11⅛-11⅛	12⅛-11⅞	12⅛-12⅛	13-12⅞
B. Fr. (Fin)	7⅞-7⅞	8-7⅞	8⅛-8⅛	8⅝-8½	8⅞-8⅞	8⅞-9⅛
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.28	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.745	3.180	221.3	10.82	2.713	3.590	2342	2.093	66.65
$	0.573	1	1.822	126.8	6.201	1.555	2.057	1342	1.199	38.19
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Mood of pessimism fades

SHORT STERLING futures rose on the Liffe market yesterday, as dealers began to feel that Monday'a mood of pessimism may have been overdooe. Gerrard and National Intercommodities said the markets are clearly nervous before the UK trade figures, but a base rate rise is perhaps not as likely as the cash market seems to think.

GNI added the Chancellor will be very reluctant to raise rates furthsr, since such a move would seem to endanger the scenario of a soft landing for the economy.

As seotiment improved on Liffe, three-month sterling for March delivery rose to 86.58 from 86.46, and June delivery rose to 86.79 from 86.63. Gilt futures also rallied, with June long gilts rising to 97-18 from 97-06.

US Treasury bonds rose on Liffe, to close at 97-18, against 97-06 on Monday. A lack of an upward revision in US fourth quarter GNP growth allayed fears of tighter Federal Reserve monetary policy.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
94	350	503	14	23
95	261	415	25	35
96	213	331	41	51
97	135	252	63	108
98	103	214	131	134
99	44	146	208	202
100	27	119	255	239

Estimated volume total, Calls 1221 Puts 530
Previous day's open int. Calls 16366 Puts 10286

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	625	652	15	42
84	439	515	29	105
86	302	354	56	144
88	148	244	138	234
90	58	152	248	342
92	28	110	418	500
94	13	47	603	637

Estimated volume total, Calls 26 Puts 417
Previous day's open int. Calls 1069 Puts 1486

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
18500	1520	5
19000	1043	28
19500	624	109
20000	309	294
20500	122	607
21000	38	1023
21500	9	1494

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT — [illegible]

7-10 YEAR 9% NOTIONAL GILT — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

THREE MONTH STERLING — [illegible]

FT-SE 100 INDEX — [illegible]

THREE MONTH EURODOLLAR — [illegible]

US TREASURY BONDS 8% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND — [illegible]

POUND-$ (FOREIGN EXCHANGE) — [illegible]

DMK-STERLING — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

SWISS FRANC (IMM) — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 33,021

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

MONEY MARKETS

More relaxed view

DISCOUNT HOUSES sold some bills to the Bank of England at rates slightly above the normal intervention level yesterday. This indicates the houses were keen to sell bills, on nervousness ahead of the UK trade figures for January, although the mood in London was slightly more relaxed. Dealers took a rather sanguine view of the general outlook, feeling that a rise to 14 per cent in bank base rate may not be inevitable, even if today's trade news is disappointing.

UK clearing bank base lending rate 13 per cent from November 25

Sentiment was helped by receding fears of a rise in West German interest rates, at tomorrow's Bundesbank council meeting. Three-month sterling interbank closed unchanged at 13⅛-13⅞ per cent.

The Bank of England initially forecast a money market credit shortage of £250m in London, but revised this to £550m at noon. Total help of £652m was provided.

Before lunch the authorities bought £572m bills outright, by way of £15m Treasury bills in band 2 at 12⅞ per cent; £488m bank bills in band 2 at 12⅞-12⅞ per cent; and £69m Treasury bills in band 3 at 12⅞-12⅞ per cent.

The Bank of England did not buy any more bills in the afternoon, but gave late assistance of £80m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £618m, with bank balances below target absorbing £30m. These factors outweighed Exchequer transactions adding £365m to liquidity, and a fall in the note circulation of £40m. In Frankfurt call money was firm, with banks prepared to pay above the Lombard rate of 6 per cent for funds. Trading was nervous despite suggestions that the Bundesbank council is less likely to tighten credit policy tomorrow, after Monday's injection of funds to the banking system via a short term securities repurchase agreement tender.

The Bundesbank net another repurchase agreement tender yesterday, offered in two tranches of 35 days and 62 days. There was no minimum bid rate. The money supplied will be needed to offset two expiring facilities totalling DM31.9bn.

In New York the Federal Reserve continued to keep downward pressure on overnight funds, by adding money to the banking system, as Federal funds traded around 9⅞ per cent. The Fed provided $2.5bn via customer repurchase agreements.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.28) 3 months US dollars | 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — [illegible]

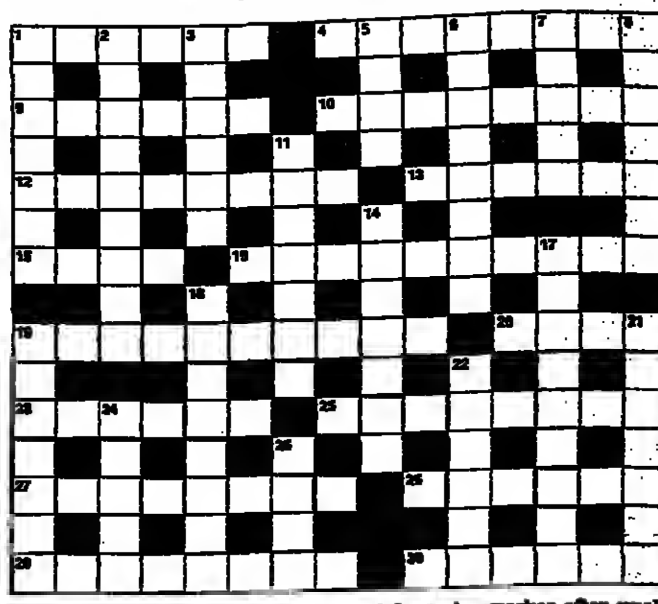
[illegible]

LONDON MONEY RATES

[illegible]

CROSSWORD

No.6,873 Set by VIXEN



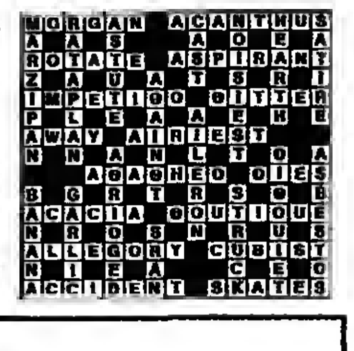
ACROSS

1 There's many a female trainee in Ireland (6)
4 Wrote music undisturbed (8)
9, 27 across cracking nuts – twits! (6)
10 A holding company (6)
12 Slip back to receive quite dreadful travellers (8)
13 Flighty creature making money with modish curtain material (6)
15 Expensive, unscrupulous, and astute (4)
16 Tom's part as can be – he has a certain authority (10)
19 Little page feeling indignant at offering (10)
20 The girl in a fair-isle sweater (4)
23 A base with an oil-refining place (6)
25 Salvation is seen by the fortune-teller (4-4)
27 Dogs men ever-ready to fight (8)
28 Aim straight (6)
29 Madly enraged by Oriental traitor (8)
30 The French understand a person renting rather than buying property (6)

DOWN

1 The agency saw pact broken (4-3)
2 This server only holds up a youngster (4,5)
3 Wring – formerly wrong (6)
5 Stony, but soft in love, a Latin is (4)
6 Irregular worker after small change (8)
7 Woman potting a couple of points about America (6)
8 He's given a rod – not unusual (7)
11 Means a mischief-maker remains (7)
14 Upsetting clients? Cut it out! (7)
17 Being late, the seaman has to take a meal on the ship (9)
18 Telephone about English cricketer, making allowances (8)
19 Last to get in by personal application (7)
21 Respect constituents for showing spirit (7)
22 Scout in camp under ideal conditions (6)
24 The front cover (5)
26 Sound staple food is produced (4)

Solution to Puzzle No.6,872



JOTTER PAD

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

[illegible]

CANADA

TORONTO

2pm prices February 28

[illegible]

INDICES

NEW YORK — DOW JONES

	Feb 27	Feb 24	Feb 23	Feb 22	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2250.36	2245.54	2289.46	2283.93	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.97	88.11	88.27	88.28	91.25 (3/3/88)	86.12 (4/1/88)	-	-
Transport	1061.29	1071.96	1078.10	1069.21	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.02	181.84	184.51	185.62	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2260.18 (2291.79) Low 2232.14 (2242.68)

STANDARD AND POOR'S	Feb 27	Feb 24	Feb 23	Feb 22	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	287.82	287.13	292.05	290.91	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	332.24	331.33	337.10	335.80	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.09	26.03	26.49	26.42	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	161.95	161.72	164.09	163.55	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	321.42	321.49	323.23	321.88	327.23 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	398.94	399.96	403.07	402.49	409.19 (7/2/89)	331.97 (12/1/88)	455.26 (26/8/87)	54.87 (31/10/72)

	Feb 24	Feb 10	Feb 3	year ago (approx.)
Dow Industrial Div. Yield	3.75	3.63	3.45	3.41
	Feb 22	Feb 15	Feb 8	year ago (approx.)
S & P Industrial div. yield	3.18	3.13	3.05	2.99
S & P Indl. P/E ratio	13.48	13.63	13.85	14.92

TRADING ACTIVITY † Volume

Millions	Feb 27	Feb 24	Feb 23
New York	139.900	160.680	150.370
Amex	9.040	10.875	11.720
OTC	109.404	122.908	116.856

NEW YORK	Feb 27	Feb 24	Feb 23
Issues Traded	1,917	1,936	1,923
Rises	611	327	738
Falls	778	1,178	684
Unchanged	528	431	501
New Highs	19	20	24
New Lows	20	23	22

CANADA

TORONTO	Feb 27	Feb 24	Feb 23	Feb 22	1988/89 High	1988/89 Low
Metals & Minerals	3365.8	3373.9	3424.3	3426.9	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3568.6	3562.0	3588.4	3584.1	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1760.49	1758.59	1776.27	1776.27	1850.44 (8/2/89)	1505.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Util	10.919m	28¾	+ ⅛	Emhart	1,711,800	40⅝	+ ⅛
US Shoe	4,136,200	20	− 5⅛	American Express	1,600,900	29⅞	+ ⅜
Texas Est	3,592,600	50⅝	− 1⅛	Union Carbide	1,593,100	30⅛	− ⅜
AT&T	1,781,800	30⅛	+ ⅛	General Electric	1,154,200	46	+ ⅜
IBM	1,763,600	121⅝	+ ½	Ford Motor	1,136,300	51⅞	+ ⅛

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 28	Feb 27	Feb 24	Feb 23	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1485.3	1470.0	1486.2	1470.7	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	698.3	687.6	696.2	680.8	847.8 (9/8/88)	532.4 (12/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	245.79	246.89	248.59	247.21	248.59 (24/2/89)	163.93 (11/1/88)
BELGIUM						
Brussels SE (1/1/80)	5564.43	5574.84	5679.29	5698.47	5834.01 (10/2/89)	3600.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	276.08	275.49	282.11	283.52	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	764.5	775.4	779.7	778.9	794.2 (20/2/89)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	422.5	420.4	430.9	431.7	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	99.7	97.5	100.2	100.6	108.1 (3/2/89)	97.5 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	543.03	535.78	541.96	537.44	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1618.7	1595.7	1614.5	1602.5	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1288.66	1276.80	1288.04	1271.70	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3012.68	3064.18	3114.23	3125.20	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Comm. Ital. (1972)	577.49	578.69	586.40	593.97	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	31985.60	32285.77	(c)	32452.4	32452.4 (23/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2447.23	2468.97	(c)	2487.24	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	299.3	297.0	302.8	301.9	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	260.8	258.8	263.2	263.3	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	553.73	550.63	560.16	564.51	570.52 (22/2/89)	327.78 (29/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1107.91	1120.22	1135.31	1134.42	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1424.0	1432.0	1399.0	1374.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2238.0	2256.0	2258.0	2254.0	2258.0 (24/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	269.46	270.83	272.54	273.36	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3676.9	3641.9	3639.2	3705.8	3730.0 (22/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	633.2	629.6	644.3	643.8	652.1 (22/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	508.7	512.8	516.1	519.0 (19/2/89)	401.0 (21/1/88)

♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 28 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Electric	67.9m	1,190	+60	Toshiba	30.2m	1,240	-30
Sanyo Electric	47.8m	875	+7	Nippon Steel	27.1m	940	-29
Kobe Steel	45.6m	900	+10	Ebara	27.0m	1,710	+100
Mitsubishi Metal	44.3m	1,050	+20	Hitachi Zosen	24.5m	635	unch
Nissan Motor	39.5m	1,530	+30	Fuji Heavy	20.8m	980	-6

3pm prices February 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A —								
28⅞	21	AAR	.44	1.7	18	692	26¾	25	26½	+1¼
10⅝	8⅞	ACM n	1.01	11.		224	9⅞	8¾	9⅞	+ ⅛
12⅛	10¼	ACMIn	1.20a	12.		573	11	10⅞	10⅞	
10⅝	8½	ACM M	n1.01	11.		138	9⅛	8⅞	9⅞	− ⅛
12⅛	10¼	ACM Sc	1.26	12.		1037	10¾	10⅝	10¾	
10⅝	8½	ACMSp	n.85m	9.7		310	8⅞	8¾	8¾	− ⅛
6⅛	2⅞	AMCA	.12e	2.8		22	4⅛	4⅛	4⅛	+ ⅛
6⅛	3⅞	AM Intl				1045	6¾	2⅞	6⅞	− ⅛
[illegible]	18⅛	AM Int pf	2	8.9		72	22⅛	22½	22⅛	− ¼
57¼	38	AMR			7	1969	38	35	38½	− ⅞
28¼	20	ANR pf	2.67	11.		303	25½	25¼	25½	
9½	4⅞	ARX				60	6⅛	3	6⅛	+ ⅛
40¾	38¼	ASA	3a	7.4		307	40⅝	40⅛	40⅞	+ ¼
20¼	14½	AVX	.24	1.4	9	127	17⅞	17½	17⅞	+ ⅛
[illegible]	42⅞	AbtLab	1.20	2.3	10	4534	51¼	50⅞	51⅛	+ ⅞

Microwave Ovens Easy to use, Reasonable to buy....
Video Audio Home Appliances
SAMSUNG Electronics

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 28

AMEX COMPOSITE PRICES

3pm prices February 28

Continued on Page

FINANCIAL TIMES

Wednesday March 1 1989

AMERICA

Dow rises despite GNP revisions

Australia loses its self-confidence

Australia loses its self-confidence

Growing economic fears are hurting shares, writes Chris Sherwell

IT IS a rare Aussie broker who wears a smile these days. Forget the idea of share prices retrieving pre-crash levels. Do not anticipate a recovery in the volumes traded. And watch out for the mnch-predicted shake-out in the industry, because it is still on the cards.

The widely-watched All Ordinaries index actually rallied with a 15-point gain yesterday to finish at 1,485.3 – hnt it was hardly earth-shattering. The index has been meandering between 1,440 and 1,540 since mid-November, and there is little on the horizon to shake the market out of its lethargy.

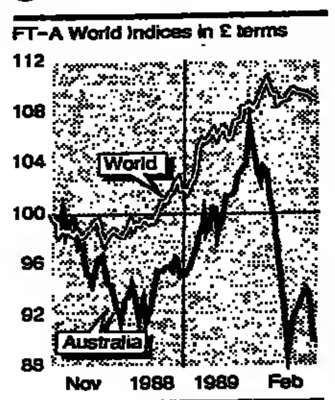
Volumes being traded are tiny compared with the boom days. If 100m shares are bought and sold in a single day, it is above average. Before October 1987, that figure was topped easily and regularly. Equity raisings too – through flotations, rights issues, placements and options – are much reduced in total value.

That is why few people believe Australia's scores of broking firms when they say they are making money. Some are, undouhtedly. Others are being propped up hy wealthy banking parents. But the real consolidation, as the prospective shake-out is known, is still to come.

In the meantime, a languid market continues, unhelpfully, to drift sideways. However, the reasons, for once, are different from the *customary ones*. The usual assumption is thet Australia takes its primary lead from abroad – generally from perceptions about the state of the world economy, more immediately from trends on the big overseas stock markets.

Over the past few months, in the wake of the US election, those markets have rallied, but Australia has failed to follow. And the joys of continued world economic growth, which has hrought sustained price rises for Australia's commodities, are being swsmped hy parochial but serious concerns about the domestic economy.

Because of booming domestic demand – a direct result of eoaring mining and rural incomes – all the optimistic government forecasts for a declining current account deficit on the balance of payments and falling prices have had to be jettisoned.



Instead, the Government, already running a tight fiscal policy at federal level, has driven up interest rates through a heavily tightened monetary policy. It insists it has done enough hut the douhters are numerous and noisy. To add to their worries, the Government has promised personal tax cuts, is entertaining the prospect of inflationary wage claims, and has resorted to "talking down" an overvalued currency.

The overall effect has been to transform a quiet confidence about the future and the Government's economic management into openly-expressed fears that it has lost control. Market sentiment has suffered badly:

The silver lining, if it exists, is that the rally abroad may not be strongly-based – certainly last Friday's fall on Wall Street was less sharp when echoed in Australia – and that the recent weakness of the Australian dollar is good news for foreign investors and for local exporters.

No analyst, however, maintains thet Australia's mining and hlue chip industrial companies will be able to reproduce the earnings growth they are displaying in the current financial year.

If the economy experiences a "soft landing" rather than an outright recession, that will help. But the outlook either way is not encouraging for corporate performance, and therefore for the share market.

EUROPE

Bourses bounce back up but nervousness remains

A BROAD recovery left the picture looking healthier in Europe yesterday, although nnderlying nervoueness remained close to the surface, *writes Our Markets Staff.*

FRANKFURT bounced from Monday's losses as the view spread that the Bundesbank would refrain from raising key interest rates at its council meeting tomorrow. However, trading remained subdued at DM2.65bn and analysts viewed the npward movement as largely a reaction to recent severe losses which have taken some stocks to the bottom of their current trading ranges.

The FAZ index rose 7.25 to 543.03 at midsession and the DAX index ended 11.86 higher et 1,288.66.

Market opinion is now divided on Thursday's Bundesbank meeting. But many feel that uncertainty over inflation and interest rates will remain, even if the Lombard and discount rates are raised. An increase would bring only temporary relief, they say. "Sometimes it's better to have temporary relief than no relief at all," commented one German fund manager. "It's a question of taste."

Among the sharpest rises, Daimler climbed DM15.50 to DM661. "It was looking oversold and there was some covering of short positions," an analyst explained.

Insurer Allianz dropped DM40 to DM1,690 amid continued rumours that it planned a rights issue or a bond issue with warrants. It is due to hold a press conference today at which it may elaborate on its relationship with Dresdner Bank, in which it holds a substantial stake. There was speculation earlier this month that it was increasing thet holding.

PARIS also recouped Monday's losses, ending more than 2 per cent higher, as index-linked demand for option stocks and bargain-hnntiug pulled shares higher.

Volumes improved from Monday's low FFr1.6bn level, but were still not great, and were estimated et more than FFr2bn in value. The OMF 50 index added 10.94 to 444.87 and the CAC 40 index rose 39.06 to 1,580.07.

Midi and Pengeot were among the more active stocks – although Eurotunnel took top place again, adding FFr4.95 to FFr90 with about 1.1m shares traded.

Midi rose FFr80 to FFr1,550 after shareholders Axa and Generali increased their representation on the board, making likely the resignation of chairman Mr Bernard Pagezy. One analyst said the development led to speculation over a battle for control between Axa and Generali.

Demand for option stocks was fuelled hy yesterday's expiry of the CAC 40 February contract and the concomitant desire for the CAC 40 index to end the period at a firm level, according to one salesman.

MILAN remained gloomy, both about the global interest rate scenario and the domestic economic outlook, with investors waiting to see how the coalition Government copes with spending cut plans in the wake of the Christian Democrat congress.

The Comit index slipped 1.2 to 577.49 in trading seen as lower than Monday's thin L134bn. "There's no resistance in the market so it's difficult to comment on it. You try to sell 100,000 Montedison shares and the price falls 2 per cent," said one broker.

Insurer Generali eased L15 to L40,990 but rose to L41,050 in after hours trading on news it had won two seats on the board of France's Cie du Midi, allying itself with the now dominant Axa group.

Ciothes retailer Benetton ended L200 higher at L10,400. It announced a L12bn rights issne and said profits were likely to be flat in 1988 before rising modestly in 1989.

AMSTERDAM was underpinned by strong corporate news, although the impact was lessened hy caution over interest

SOUTH AFRICA

THE SLIGHT fall in the bullion price left Johannesburg gold shares a touch weaker overall yesterday, with Vaal Reefs off R2.50 at R299.

ASIA PACIFIC

Jitters cause Nikkei's steepest fall this year

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries